

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Grand Blanc	County Genesee
Audit Date 5/31/05	Opinion Date 7/22/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

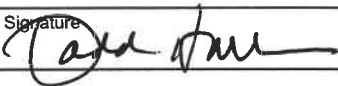
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name) Plante & Moran, PLLC			
Street Address 111 East Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature 			Date 10/24/05

Comprehensive Annual Financial Report

City of Grand Blanc, Michigan

Fiscal Year Ended May 31, 2005

Introductory Section

**Comprehensive Annual Financial Report
City of Grand Blanc, Michigan
Fiscal Year Ended May 31, 2005**

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**Comprehensive Annual Financial Report
City of Grand Blanc, Michigan
May 31, 2005**

List of Officials

Mayor

Michael N. Matheny

City Council

D. Keith Baldwin
James E. Bappert
John A. Freel
Connie S. Lesley
Susan J. Soderstrom
William P. Turk

Administrative Officials

Randall D. Byrne - City Manager
Richard Saathoff - City Clerk
Bethany J. Smith - City Treasurer
Ted Sczetpanski - Building Inspector
James B. Harmes - Fire Chief
Mark D. Heidel - Police Chief
Matthew S. Wurtz - Public Works Director

Independent Auditors

Plante & Moran, PLLC

Report Prepared By

City Clerk/Finance Department



City of Grand Blanc



203 East Grand Blanc Road • Grand Blanc, MI 48439-0846 • (810) 694-1118 • Fax (810) 694-9517

MAYOR

Michael N. Matheny

CITY COUNCIL

D. Keith Baldwin
James E. Bappert
John A. Freel
Connie S. Lesley
Susan J. Soderstrom
William P. Turk

CITY MANAGER

Randall D. Byrne

CITY CLERK

Richard Saathoff

CITY TREASURER

Bethany J. Smith

CITY ASSESSOR

Marie Collias

CITY ATTORNEY

Walter P. Griffin

July 22, 2005

To the Mayor, City Council, and the Citizens of the City of Grand Blanc:

The Comprehensive Annual Financial Report (CAFR) of the City of Grand Blanc for the fiscal year ending May 31, 2005, is hereby submitted. The responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. The administration believes that the data, as presented, is accurate in all material aspects, which is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial status have been included.

The City of Grand Blanc's financial statements have been audited by Plante & Moran, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Grand Blanc for the fiscal year ending May 31, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Grand Blanc's financial statements for the fiscal year ending May 31, 2005, are fairly presented in conformity with GAAP.

Since the report consists of management's representations concerning the finances of the City of Grand Blanc, a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for preparation of the City of Grand Blanc's financial statements. However, due to the fact that the internal control systems should be cost effective, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement.

Profile of the Government

The City of Grand Blanc was founded in 1930 and is celebrating its 75th Anniversary in 2005. The City is a 3.7 square mile community located in southern Genesee County, Michigan in an ideal location; minutes from three (3) major expressways that connect the City to cultural centers and the industrial centers of Michigan as well as the rest of the country. The City is located 10 miles south of Flint, 50 miles north of Detroit, and 30 miles north of Automation

Alley in Oakland County. The City is enhanced by exemplary educational opportunities for kindergarten through 12th grade via both public and private schools and a premier library system. Quality health care is provided by the recently relocated Genesys Hospital, located just outside the city limits.

The City operates under the council/manager form of government with seven elected officials, a mayor and six City Council members representing the residents of the City of Grand Blanc. Policy making and legislative authority are vested with the mayor and council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, and appointing committees. The city manager is responsible for carrying out the policies of the governing council, and for overseeing the day to day operation of the city. The Mayor and the City Council members are elected on a non-partisan basis. The Mayor is directly elected by the electorate for a two year term. The City Council members are elected on a staggered four (4) year term on an at large basis, with three (3) members being elected every two years. The City Manager is appointed by, and serves at, the pleasure of the City Council.

The City of Grand Blanc provides various municipal services to its citizens. Among these are police protection, garbage collection, water and sewer operations, street construction, maintenance and snow removal, planning and zoning and general administrative services. The City also participates in joint ventures such as: Grand Blanc Fire Commission, Grand Blanc Parks & Recreation Commission/ Senior Citizen Activity Center and the Grand Blanc District Library, with the Charter Township of Grand Blanc.

The City's annual budget provides the foundation for the financial planning and control. All departments and commissions funded by the City of Grand Blanc are required to submit requests for appropriations to the city manager. The city manager utilizes these requests as the basis for developing the proposed budget submitted to the City's Finance Committee. The Finance Committee is comprised of the Mayor and three City Council Members, which meet on a monthly basis to review the budget to actual numbers, prepare the budget, review accounts payable and to address all financial requests/concerns of the City of Grand Blanc. The Finance Committee presents the proposed budget to the full City Council by May 1st of each year. The City Council actually adopts a two year budget, the immediate next fiscal year budget is amended based on revised, more current information. The second year budget is the starting point for the budget process that begins in January. The adoption of the two year budget has greatly reduced the budget preparation time, allows the City to be more proactive and react faster to poor economic factors.

This Comprehensive Annual Financial Report is presented in three sections:

Introductory Section - The introductory sections of the CAFR includes this transmittal letter, an organizational chart, a list of the City's administration, and the City's Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ended May 31, 2004 from the Government Finance Officers Association of the United States and Canada.

Financial Section - The financial section includes the independent auditor's report, management's discussion and analysis report, government wide financial statements, fund financial statements, notes to the financial statements, required supplemental information, and other supplemental information.

Statistical Section - The statistical section includes selected financial, tax and demographic information that covers a period of 10 years.

Major Initiatives

The City of Grand Blanc has continued the aggressive street resurfacing and/or reconstruction program that was begun many years ago. The most recently completed projects include the relocation of Holly Road (a major artery leading to and from I-75), many streets in some of our residential areas, and the installation of additional traffic signals. All of these projects have increased the safety for our residents. Many of street projects are made possible by Transportation Grants.

The City has completed the construction of two (2) water softening plants to serve our residents with soft water. The water is as soft as rain water. There have been two (2) additional health benefits derived from the water softening project: arsenic has been removed from the drinking water, surpassing the federal standards and secondly, the softening process does not use any salt. The system is a "nano-filtration" system, where the water is forced through a membrane with very small holes. This membrane allows the water to pass through while collecting the contaminants and suspended materials.

The City of Grand Blanc has worked closely with the Federal Emergency Management Agency (FEMA) to alleviate flooding in several areas of the City. The City received four (4) matching grants totaling several million dollars to correct flooding conditions. Two (2) of the four (4) projects have been completed, the storm sewer on Via Catherina; and the purchase and demolition of five (5) homes within the flood plain. These homes had experienced flooding for many, many years. There was an added benefit of purchasing the homes, the City was able to enlarge an existing city owned park. Both of the other projects are currently under construction, a storm sewer in Indian Hill subdivision and a storm sewer in the LaFave Gardens subdivision. These projects are designed to help alleviate flooding and move water away from the homes quickly. Both these projects should be completed by late summer or early fall.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the unique environment within which the City of Grand Blanc operates.

Local Economy

The City of Grand Blanc is a desirable community and continues to attract new residents and businesses. The economic condition of the City is fiscally sound and stable. The future, however, is filled with economic uncertainty, challenges, and new opportunities.

Revenue projections continue to be challenging due to the reduction in the State of Michigan's state shared revenue program. Due to the decrease in state shared revenues, the City's second largest revenue source, the City continues to be challenged in maintaining current levels of operating expenses. The City maintains an adequate fund balance that offers a defense against a sluggish economy.

Many of Grand Blanc's residents work in either the Flint metropolitan area or in Automation Alley, a cluster of technology-driven companies in Oakland County. Genesee County's unemployment rate has increased for the past couple of years. Unemployment rates increased in durable manufacturing and in the wholesale sectors of the economy, while employment rates increased slightly in business and health, construction, government, and non-durable manufacturing. Automotive and truck related production makes up the largest share of manufacturing employment in Genesee County. Employment at General Motors, SPE and Delphi facilities decreased significantly in recent years.

Cash Management

The City complies with Public Act 20 of 1943 (as amended) of the State of Michigan in its cash management activities. Cash temporarily idle during the year was invested in demand deposits and in time deposits ranging from seven (7) to ninety-three (93) days. At the present time, the Council's investment policy is to invest in only local institutions. The Council is aware that a substantial amount of funds are at risk, but prefers to keep the funds in the local community. The City evaluates each financial institution with which deposits City funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Risk Management

The City of Grand Blanc is insured by the Michigan Municipal League's Michigan Liability and Property Pool for comprehensive general liability, motor vehicle damage, comprehensive property damage and public official liability. The City participates in the Michigan Municipal League Worker's Compensation Fund for worker's compensation claims.

Pension and Other Post-employment Benefits

The City of Grand Blanc contributes to either a defined contribution plan administered by International City Management Association Retirement Corporation (ICMA-RC) or a defined benefit plan administered by Municipal Employees Retirement System (MERS) for each full time employee. The Police Patrol Unit union members are members of the MERS system. The City of Grand Blanc offered the non-union employees the choice to remain members of the ICMA system or transfer to the MERS plan. The majority of the employees elected to join the MERS retirement plan. As a matter of policy, the City fully funds each year's annual required contribution to each of the pension plans. The City also provides post-retirement health, dental and life insurance for certain retirees and their dependents. As of the end of the current fiscal year, there were nine retired employees/dependents receiving these benefits, which are financed on a pay-as-you-go basis.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Grand Blanc for its CAFR for the fiscal year ended May 31, 2004. This was the 14th consecutive year that the City has received this prestigious award. In order to be awarded the Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for only one year. I believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and I will submit it to the GFOA to determine its eligibility for another certificate.

I wish to acknowledge the efforts of the department heads and the office staff that make it possible to prepare this CAFR. The commitment of the City Council to fiscal integrity and to financial leadership is also greatly appreciated. The accounting firm of Plante & Moran also made substantial contributions in the preparation of this document.

Respectfully submitted,



Richard Saathoff, MMC
City Clerk/Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Grand Blanc,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
May 31, 2004

A Certificate of Achievement for Excellence in Financial
Reporting is presented by the Government Finance Officers
Association of the United States and Canada to
government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.

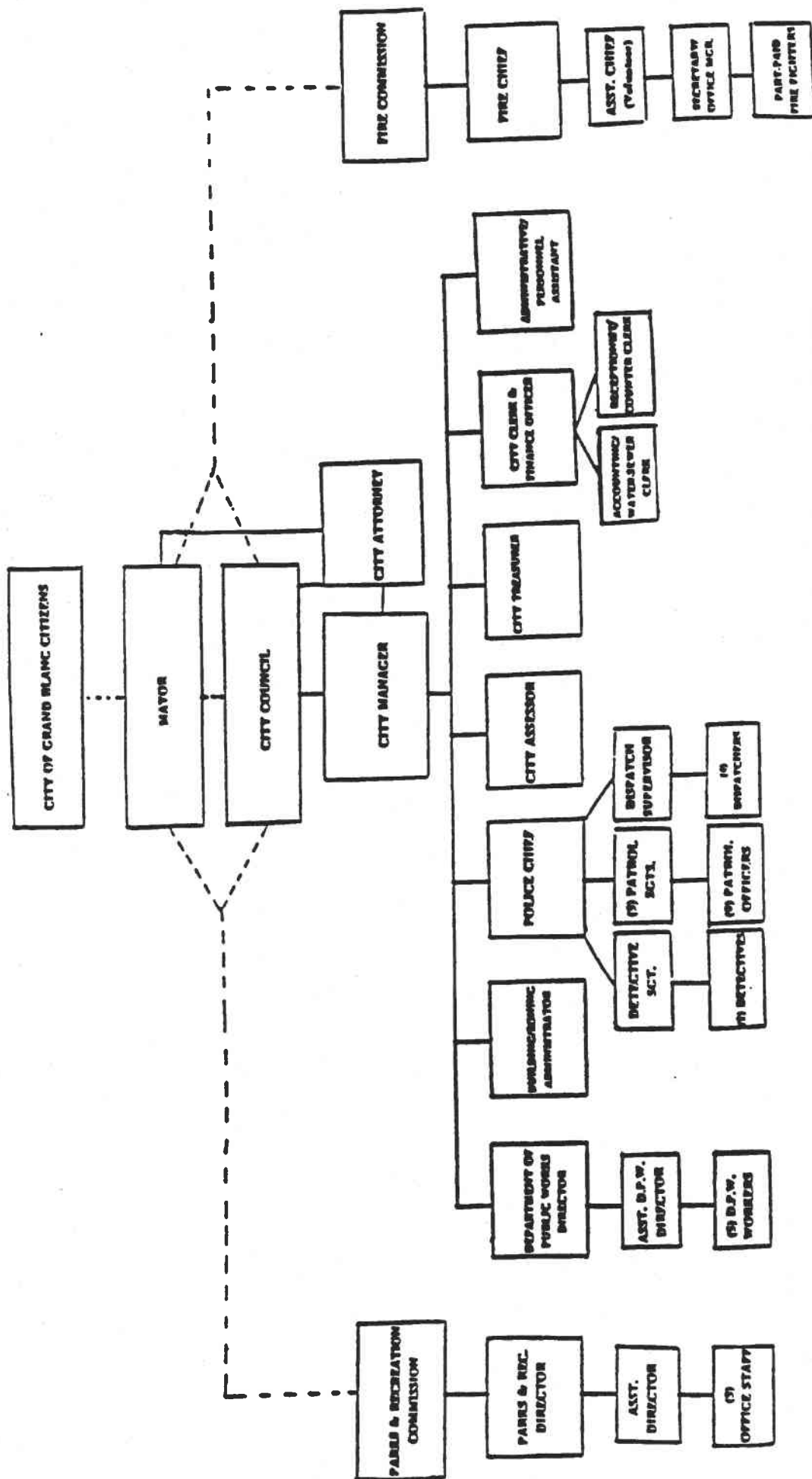


Nancy L. Ziehl

President

Jeffrey R. Enser

Executive Director



CITY OF GRAND BLANC GOVERNMENT STRUCTURE

Financial Section

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Grand Blanc, Michigan

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grand Blanc, Michigan, as of and for the year ended May 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grand Blanc, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grand Blanc, Michigan, as of May 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Blanc, Michigan's basic financial statements. The accompanying other supplemental information and statistical section, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Except for the statistical section, the other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section is unaudited and we express no opinion on it.

As described in Note 1B, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements as of June 1, 2004.

PLANTE & MORAN, PLLC

Certified Public Accountants
Flint Office

July 22, 2005

Management's Discussion and Analysis

Management's Discussion and Analysis

This narrative section of the City of Grand Blanc's annual financial report provides discussion and analysis of the City's financial activities for the fiscal year ended May 31, 2005. This insight should be read to further enhance the understanding of the City's financial statements, which follow this section.

The City of Grand Blanc is implementing the new Governmental Accounting Standards Board Statement No. 34 required format for the first time this year. This analysis and discussion are part of the new accounting requirements and include comparative data from the different funds and activities of the City as well as current year and prior year comparisons.

Financial Highlights

- ❖ The total net assets for the City of Grand Blanc are \$17,593,428. Of this amount, \$4,901,690 is unrestricted and available for any City activity. The net assets increased \$1,476,019 from the prior year.
- ❖ Combined Program and General Revenues for the Primary Government funds amounted to \$8,266,302. This exceeded expenses of \$6,790,283 by \$1,476,019.
- ❖ The combined fund balance at May 31, 2005 for the City's governmental funds was \$3,443,209. This was an decrease of \$100,954 from the prior year.
- ❖ General Fund revenues exceeded expenditures by \$275,646, causing the General Fund's fund balance to increase accordingly.

Overview of the Financial Statements

This discussion constitutes the first section or introduction to the financial statements, which includes three parts. They are government-wide financial statements, the fund financial statements, and the notes to the financial statements. In addition to the financial statements, other supplementary information is also provided.

- ❖ The government-wide financial statements provide a broad overview of the City of Grand Blanc financial status for both the long-term and short-term.
 - The statement of net assets and statement of activities focus on the overall financial health indicators of the City. Those indicators are further categorized as either governmental activities that are primarily supported by taxes and intergovernmental revenues or business type activities which are supported by user fees and charges.
 - Grand Blanc's governmental activities include such areas as general government, public safety, highways, and streets. The business-type activities include water and sewer.
- ❖ The remaining statements are fund financial statements that focus on individual segments of the City. They are narrower in scope and provide more detail than the government-wide statements.
 - Governmental funds such as the general fund focus on the financing of these areas in the short term and what remains for future spending.

- Water and sewer funds represent proprietary activities and their statements show how these activities operate like businesses.
- Fiduciary fund statements provide information about financial relationships where the City administers the fund for the benefit of others who have ownership to the assets.

Notes to the financial statements are also included to further explain some of the financial statements and provide more detailed data.

The final sections include other information. The required supplemental information would include such items as the City of Grand Blanc's progress in funding its pension obligations. In addition, the City has also provided discretionary information about the City that should further enhance the understanding of its operations.

Government-wide Financial Analysis

As mentioned earlier, net assets provide useful benchmarks in determining overall financial position. The City of Grand Blanc's combined net assets are \$17,593,428. This compares to last year's total of \$16,117,409 which was an increase of \$1,476,019.

City of Grand Blanc's Net Asset

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 4,357,041	\$ 1,493,773	\$ 5,850,814
Capital assets	7,323,609	11,469,472	18,793,081
Total assets	<u>\$11,680,650</u>	<u>\$12,963,245</u>	<u>\$24,643,895</u>
Current and other liabilities	\$ 634,621	\$ 514,831	\$ 1,149,452
Long-term liabilities	1,993,084	3,907,931	5,901,015
Total liabilities	<u>2,627,705</u>	<u>4,422,762</u>	<u>7,050,467</u>
Net assets:			
Invested in capital assets, net of related debt	4,535,007	7,371,541	11,906,548
Restricted:			
Highways and streets	785,190	-	785,190
Unrestricted	3,732,748	1,168,942	4,901,690
Total net assets	<u>9,052,945</u>	<u>8,540,483</u>	<u>17,593,428</u>
Total liabilities and net assets	<u>\$11,680,650</u>	<u>\$12,963,245</u>	<u>\$24,643,895</u>

Further review of the net assets indicates that they are divided into three parts. The largest part (68 %) is the investment in capital assets (land, buildings, machinery and equipment), net of related debt, which cannot be readily liquidated or available for future spending. The second part is restricted assets, which can be used strictly for certain purposes. Finally the last part is unrestricted assets which can be used for ongoing obligations or new activities.

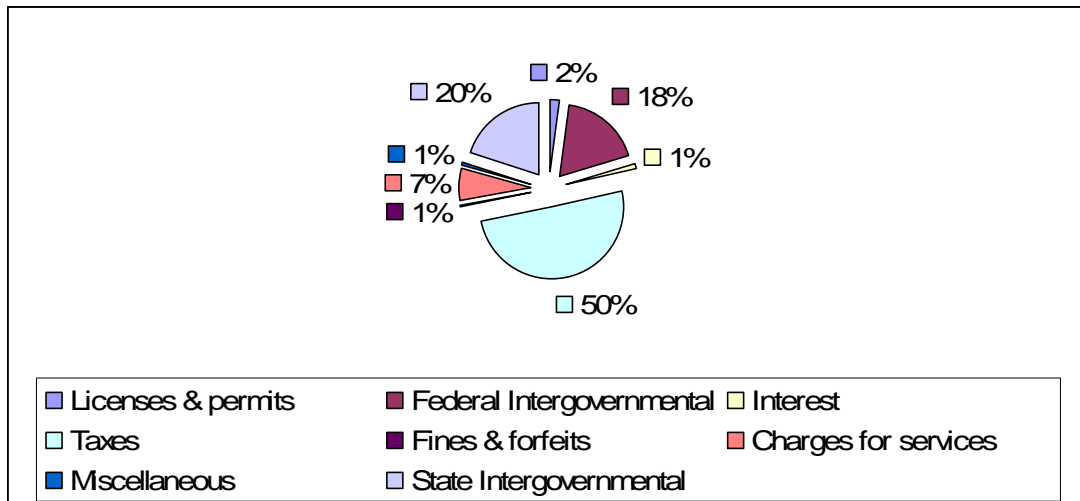
Governmental Activities

Governmental activities are described in detail below. The City of Grand Blanc's increase in net assets of \$1,476,019 accounted for a 9.2% increase in the total growth of net assets.

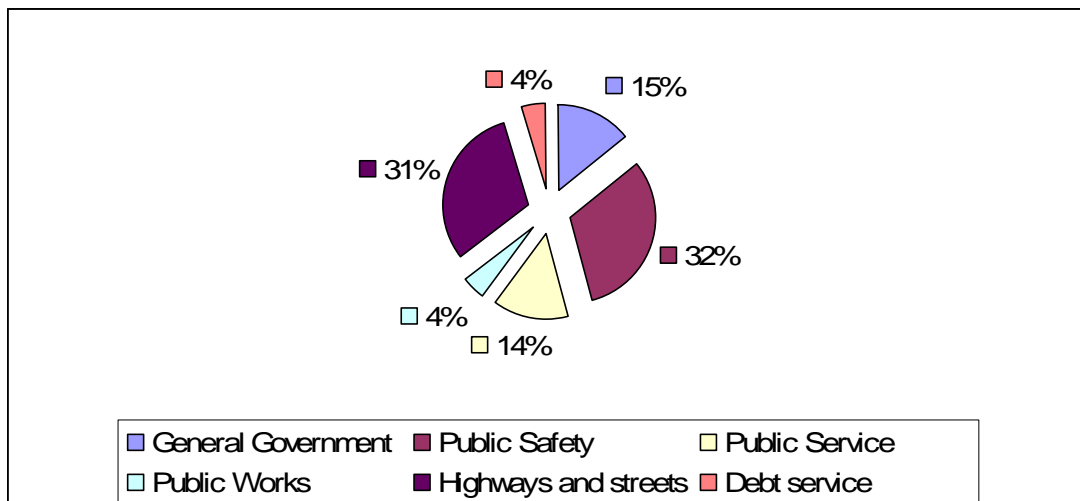
The increase in net assets was caused by several items in both the revenue and expense activities.

	Governmental activities	Business-type activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 795,755	\$ 1,607,824	\$ 2,403,579
Operating grants and contributions	928,877	-	928,877
Capital grants and contributions	694,042	23,500	717,542
General revenues:			-
Property taxes	3,121,778	310,275	3,432,053
State share revenues	709,581	-	709,581
Other	55,029	19,641	74,670
Total revenues	<u>6,305,062</u>	<u>1,961,240</u>	<u>8,266,302</u>
Expenses:			
General government	764,846	-	764,846
Public service	975,498	-	975,498
Public safety	1,927,040	-	1,927,040
Public works	470,877	-	470,877
Highways and Streets	293,444	-	293,444
Interest on long term debt	85,507	-	85,507
Water	-	1,272,831	1,272,831
Sewer	-	1,000,240	1,000,240
Total expenses	<u>4,517,212</u>	<u>2,273,071</u>	<u>6,790,283</u>
Increase (decrease) net assets	1,787,850	(311,831)	1,476,019
Net assets - beginning of year	<u>7,265,095</u>	<u>8,852,314</u>	<u>16,117,409</u>
Net assets - end of year	<u>\$ 9,052,945</u>	<u>\$ 8,540,483</u>	<u>\$ 17,593,428</u>

Revenues:



Expenses:



Financial Analysis of the City's Funds

The City ended the fiscal year with a total governmental funds fund balance of \$3,443,209. This was a decrease of \$100,954 over last year's fund balance of \$3,544,163.

The City of Grand Blanc General Fund was exposed to several key factors that resulted in the fund balance increasing by \$275,646 to \$2,578,750. Those factors included the following:

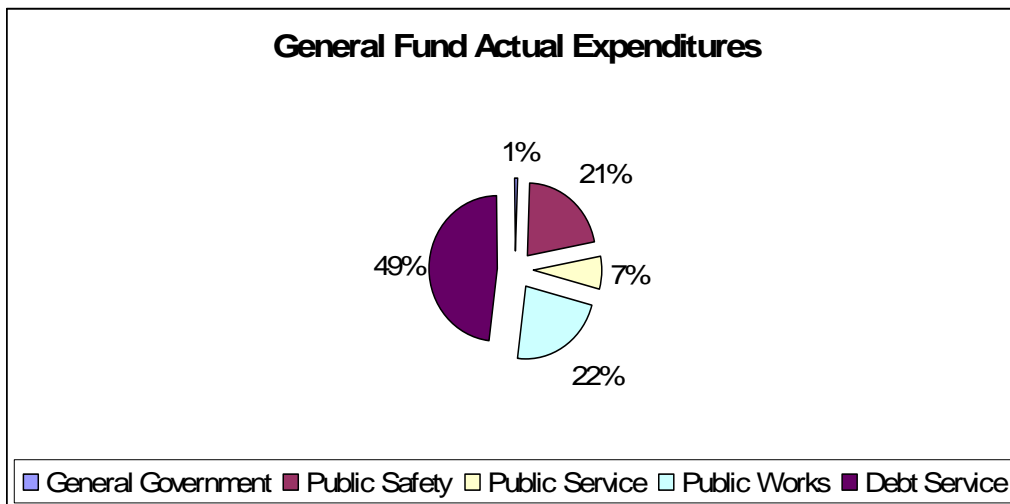
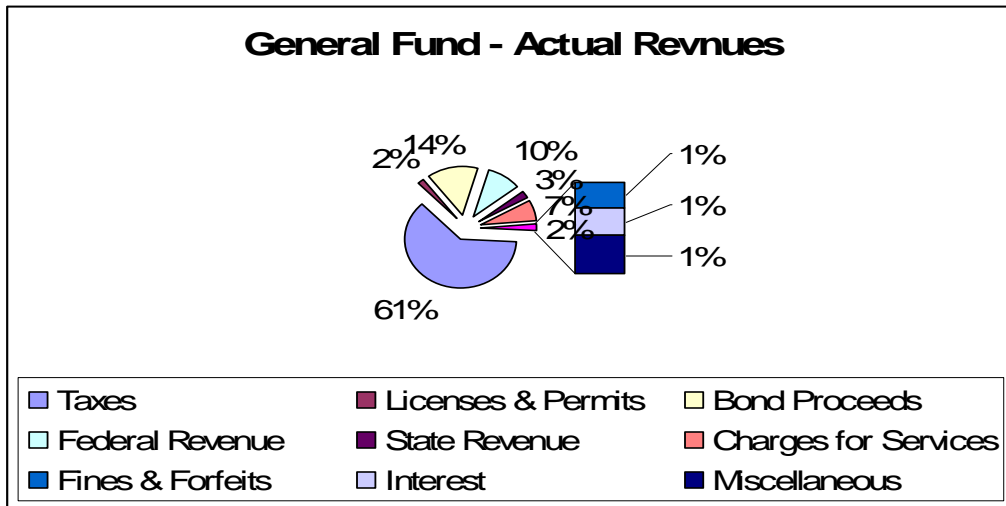
- ❖ The General Fund increase was primarily due the timing of the purchase of real property. The City had borrowed funds to purchase two (2) pieces of real property, only one (1) of the properties closed escrow before fiscal year end.
- ❖ The Police Department's actual expenses were less than expected due to the cost of salaries and fringes being down. This was caused by not filling several vacancies.

- ❖ The expenses for the maintenance of City Hall were also lower than budgeted due to the decision to completely re-roof the building, instead of completing minor repairs, in the next fiscal year.

The above cost cutting measures as well as renewed revenue producing measures helped to offset the large reductions in state shared revenues and interest income.

The proprietary funds of the City of Grand Blanc are comprised of the water and sewer funds. Similar types of information are found here as compared to the government-wide statements but with more detail. The net assets for the water and sewer funds both decreased by \$82,915 and \$228,916 respectively. Again, loss of interest income, depreciation expense and interest expense contributed to these shortfalls.

General Fund Budgetary Highlights



Capital Asset and Debt Administration

At May 31, 2005, the City of Grand Blanc's investment in capital assets for the governmental and business-type activities amounted to \$18,793,081 (net of depreciation). The investment in capital assets covers a broad variety of land, buildings, machinery, equipment, roads, highways, and bridges. The additional investment in capital assets during the year ended May 31, 2005 was \$6,855,023 before the provision of depreciation.

The majority of the increase in capital assets was due to the completion of the construction and placement in service of the water softening system. There were also purchases of the real property for the proposed downtown improvement

Governmental activities:	
Total capital assets, not being depreciated	\$ 3,756,368
Total capital assets, being depreciated (net)	\$ 3,567,241
Governmental activities capital assets (net)	\$ 7,323,609
Business-type activities:	
Total capital assets, not being depreciated	\$ 195,620
Total capital assets, being depreciated (net)	\$11,273,852
Business-type activities capital assets (net)	\$11,469,472

Additional information regarding the City's capital assets can be found in note IV on pages 31 - 32 of this report.

Long-Term Debt

At May 31, 2005, the City had \$2,471,483 in bonds outstanding for governmental activities and \$4,097,931 in bonds outstanding for business-type activities.

Additional information regarding the City's long-term debt can be found on pages 34 and 35 of this report.

Economic Factors and Next Year's Budgets and Rates

The economic condition of the State of Michigan is an ongoing concern. After withstanding a cut in state shared revenues of approximately \$120,000 in this year; the upcoming fiscal year 2005-06 may be faced with further cuts.

In addition, as provided in the State of Michigan Truth in Taxation Act, the City's state equalized value can not increase due to inflation more than the cost of living index.

Information Requests

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors a general overview of the City's finances and provide further accountability of the financial transactions that take place. If you have questions about this report or need additional financial information, please contact the City of Grand Blanc City Clerk's Office, 203 E. Grand Blanc Road, Grand Blanc, Michigan, 48439.

Basic Financial Statements

Government-Wide Financial Statements

City of Grand Blanc, Michigan
Statement of Net Assets
May 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,235,336	\$ 1,589,071	\$ 3,824,407
Investments	700,000	-	700,000
Receivables (net of allowances for uncollectibles)	135,377	355,398	490,775
Due from other governmental unit:	252,263	-	252,263
Internal balances	450,696	(450,696)	-
Deposits	10,000	-	10,000
Investments in joint ventures			
Fire commission	393,731	-	393,731
Parks and recreation	179,638	-	179,638
Capital assets not being depreciated	3,756,368	195,620	3,951,988
Capital assets (net of accumulated depreciation)	3,567,241	11,273,852	14,841,093
Total assets	11,680,650	12,963,245	24,643,895
Liabilities			
Accounts payable	68,990	95,900	164,890
Accrued liabilities	78,062	23,620	101,682
Retainage fee payable	-	205,311	205,311
Due to other governmental unit:	9,170	-	9,170
Noncurrent liabilities			
Current portion of debt	478,399	190,000	668,399
Long term portion of debt	1,993,084	3,907,931	5,901,015
Total liabilities	2,627,705	4,422,762	7,050,467
Net Assets			
Invested in capital assets, net of related debt	4,535,007	7,371,541	11,906,548
Restricted for:			
Highways and streets	785,190	-	785,190
Unrestricted	3,732,748	1,168,942	4,901,690
Total net assets	\$ 9,052,945	\$ 8,540,483	\$ 17,593,428

The notes to financial statements are an integral part of this statement.

**City of Grand Blanc, Michigan
Statement of Activities
For the Year Ended May 31, 2005**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities			
General government	\$ 764,846	\$ 202,810	\$ -
Public service	975,498	301,411	-
Public safety	1,927,040	163,856	49,090
Public works	470,877	127,678	-
Highways and Streets	293,444	-	879,787
Interest on long term debt	85,507	-	-
Total governmental activities	4,517,212	795,755	928,877
Business-type activities			
Water	1,272,831	852,386	-
Sewer	1,000,240	755,438	-
Total business-type activities	2,273,071	1,607,824	-
Total primary government	\$ 6,790,283	\$ 2,403,579	\$ 928,877

General revenues
Property taxes
State share revenues
Unrestricted investment earnings
Total general revenues and transfers
Change in net assets
Net assets - beginning of year
Net assets - end of year

The notes to financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Asset		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (562,036)	\$ -	\$ (562,036)
(674,087)	-	(674,087)
(1,684,395)	-	(1,684,395)
(343,199)	-	(343,199)
1,250,686	-	1,250,686
(85,507)	-	(85,507)
(2,098,538)	-	(2,098,538)
-	(410,445)	(410,445)
-	(231,302)	(231,302)
-	(641,747)	(641,747)
(2,098,538)	(641,747)	(2,740,285)
3,121,778	310,275	3,432,053
709,581	-	709,581
55,029	19,641	74,670
3,886,388	329,916	4,216,304
1,787,850	(311,831)	1,476,019
7,265,095	8,852,314	16,117,409
\$ 9,052,945	\$ 8,540,483	\$ 17,593,428

Fund Financial Statements

City of Grand Blanc, Michigan
Balance Sheet - All Governmental Funds
May 31, 2005

	General	Major Street	Local Street	Other Governmental
Assets				
Cash and cash equivalents	\$ 984,700	\$ 1,213,486	\$ 583,916	\$ 153,234
Receivables:				
Accounts	14,220	-	-	-
Taxes	121,157	-	-	-
Due from other funds	1,736,504	153,158	-	146,522
Due from other governmental units	133,235	71,776	46,054	1,198
Deposits	10,000	-	-	-
Total assets	<u>\$ 2,999,816</u>	<u>\$ 1,438,420</u>	<u>\$ 629,970</u>	<u>\$ 300,954</u>

The notes to financial statements are an integral part of this statement.

**Total
Governmental**

\$ 2,935,336

14,220

121,157

2,036,184

252,263

10,000

\$ 5,369,160

(continued)

City of Grand Blanc, Michigan
Balance Sheet - All Governmental Funds (continued)
May 31, 2005

	General	Major Street	Local Street
Liabilities			
Liabilities:			
Accounts payable	\$ 66,117	\$ -	\$ 538
Accrued liabilities	78,061	-	-
Due to other funds	267,718	952,721	329,941
Due to other governmental units	9,170	-	-
Total liabilities	421,066	952,721	330,479
Fund Balance			
Fund balances:			
Reserved	-	-	-
Unreserved:			
Designated	791,529	-	-
Undesignated	1,787,221	485,699	299,491
Total fund balance	2,578,750	485,699	299,491
Total liabilities and fund balance	\$ 2,999,816	\$ 1,438,420	\$ 629,970

The notes to financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental
\$ -	\$ 66,655
-	78,061
221,685	1,772,065
-	9,170
221,685	1,925,951
3,115	3,115
-	791,529
76,154	2,648,565
79,269	3,443,209
\$ 300,954	\$ 5,369,160

City of Grand Blanc, Michigan
Reconciliation of Fund Balances as Reported in the Government
Balance Sheet to the Statement of Net Asset
May 31, 2005

Fund balances of governmental fund:	\$ 3,443,209
Amounts reported for governmental activities in the statement c net assets are different because:	
Capital assets used in governmental activities (exclusive of interna service funds) are not financial resources and, therefore, are not reported in the funds.	6,853,015
Investment in joint ventures ar not included as an asset in the governmental func	573,369
Internal service funds are used by management to charge th costs of fleet management to individual funds. The assets an liabilities of the internal service funds are included in government; activities in the statement of net assets	613,565
Long-term liabilities, including bond and contract payables, are not du and payable in the current period and therefore are no reported in the funds.	(2,430,213)
	(2,430,213)
Net assets of governmental activitie:	\$ 9,052,945

The notes to financial statements are an integral part of this statement.

City of Grand Blanc, Michigan
Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
Year Ended May 31, 2005

	General	Major Street	Local Street	Other Governmental
Revenues:				
Taxes	\$ 2,855,342	\$ -	\$ 258,399	\$ -
Licenses and permits	128,667	-	-	-
Intergovernmental revenue:				
Federal	78,789	664,343	362,922	23,019
State	709,581	377,015	139,850	-
Charges for services	441,518	-	-	-
Fines and forfeits	31,256	-	-	-
Interest	30,086	13,446	9,390	2,106
Miscellaneous	43,616	-	-	-
Total revenues	4,318,855	1,054,804	770,561	25,125
Expenditures:				
Current:				
General government	956,602	-	-	-
Public safety	2,057,195	-	-	-
Public service	913,389	-	-	23,019
Public works	291,338	-	-	-
Highways and streets	-	1,414,829	639,923	-
Debt service:				
Principal retirement	25,000	-	-	175,000
Interest and fiscal charges	8,382	-	-	75,622
Total expenditures	4,251,906	1,414,829	639,923	273,641
Excess (deficiency) of revenues over expenditures	66,949	(360,025)	130,638	(248,516)
Other financing sources (uses):				
Transfers in	-	-	14,588	247,947
Transfers out	(101,303)	(134,588)	(26,644)	-
Financing proceeds	310,000	-	-	-
Total other financing sources (uses)	208,697	(134,588)	(12,056)	247,947
Net change in fund balance	275,646	(494,613)	118,582	(569)
Fund balances - beginning of year	2,303,104	980,312	180,909	79,838
Fund balances - end of year	\$ 2,578,750	\$ 485,699	\$ 299,491	\$ 79,269

The notes to financial statements are an integral part of this statement.

**Total
Governmental**

\$ 3,113,741
128,667

1,129,073
1,226,446
441,518
31,256
55,028
43,616

6,169,345

956,602
2,057,195
936,408
291,338
2,054,752

200,000
84,004

6,580,299

(410,954)

262,535
(262,535)
310,000

310,000

(100,954)

3,544,163

\$ 3,443,209

City of Grand Blanc, Michigan
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended May 31, 2005

Amounts reported for governmental activities in the statement of activities are different because

Net change in fund balance - total governmental fund	\$ (100,954)
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	1,985,427
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Investments in joint ventures are not included in the governmental fund	6822
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The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. These are the effects of these differences in the treatment of long-term debt and related items:	
- Financing proceeds	(555,888)
- Debt principal payments	435,926

The net revenue of internal service funds is reported with governmental activities.	16,517
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Change in net assets of governmental activities	\$ 1,787,850
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The notes to financial statements are an integral part of this statement.

City of Grand Blanc, Michigan
Statement of Net Assets
Proprietary Funds
May 31, 2005

	<u>Business-type Activities - Enterprise Fund</u>			<u>Governmental Activities - Internal Service Equipment</u>
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,370,037	\$ 219,034	\$ 1,589,071	\$ -
Receivables:				
Customers	221,970	124,681	346,651	-
Taxes	8,747	-	8,747	-
Due from other funds	124,827	527,468	652,295	186,741
Total current assets	1,725,581	871,183	2,596,764	186,741
Non-current assets:				
Capital assets (net of accumulated depreciation)	8,913,158	2,556,314	11,469,472	470,594
Total assets	10,638,739	3,427,497	14,066,236	657,335
Liabilities				
Current liabilities:				
Accounts payable	5,295	90,605	95,900	2,336
Accrued liabilities	13,223	10,397	23,620	-
Retainage fee payable	205,311	-	205,311	-
Due to other funds	775,981	327,010	1,102,991	164
Current portion of bonds payable	190,000	-	190,000	-
Total current liabilities	1,189,810	428,012	1,617,822	2,500
Noncurrent liabilities				
Notes payable	-	-	-	41,270
Bonds payable	3,907,931	-	3,907,931	-
Total noncurrent liabilities	3,907,931	-	3,907,931	41,270
Total liabilities	5,097,741	428,012	5,525,753	43,770
Net Assets				
Invested in capital assets, net of related debt	4,815,227	2,556,314	7,371,541	429,324
Unrestricted	725,771	443,171	1,168,942	184,241
Total net assets	\$ 5,540,998	\$ 2,999,485	\$ 8,540,483	\$ 613,565

The notes to financial statements are an integral part of this statement.

**City of Grand Blanc, Michigan
Enterprise Funds
Statement of Revenues, Expenses
and Changes in Retained Earnings
Year Ended May 31, 2005**

	Business-type Activities - Enterprise Fund			Governmental Activities - Internal Service Equipment
	Water	Sewer	Total	
Operating revenues:				
Charges for services	\$ 742,721	\$ 755,438	\$ 1,498,159	\$ 241,498
Rentals	61,164	-	61,164	-
Parts and service	14,153	-	14,153	-
Penalties	34,348	-	34,348	-
Total operating revenues	852,386	755,438	1,607,824	241,498
Operating expenses:				
Salaries and fringe benefits	431,796	258,929	690,725	-
Operating supplies	171,935	2,452	174,387	-
Maintenance and repairs	23,439	1,660	25,099	92,005
Utilities	157,990	1,906	159,896	-
Sewage disposal service	-	524,683	524,683	-
Depreciation	261,419	120,849	382,268	81,224
Insurance	38,000	32,000	70,000	50,248
Miscellaneous	5,517	3,200	8,717	-
Equipment rental	80,000	52,000	132,000	-
Sewer back up	-	2,561	2,561	-
Total operating expenses	1,170,096	1,000,240	2,170,336	223,477
Operating income (loss)	(317,710)	(244,802)	(562,512)	18,021
Nonoperating revenue (expenses)				
Tap-in fees	10,000	13,500	23,500	-
Taxes	310,275	-	310,275	-
Interest income	17,255	2,386	19,641	-
Interest expense	(102,735)	-	(102,735)	(1,504)
Total nonoperating revenue (expense)	234,795	15,886	250,681	(1,504)
Change in net assets	(82,915)	(228,916)	(311,831)	16,517
Net assets - beginning of year	5,623,913	3,228,401	8,852,314	597,048
Net assets - end of year	\$ 5,540,998	\$ 2,999,485	\$ 8,540,483	\$ 613,565

The notes to financial statements are an integral part of this statement.

**City of Grand Blanc, Michigan
Enterprise Funds
Statement of Cash Flows
Year Ended May 31, 2005**

	Business-type Activities - Enterprise Fund			Governmental Activities - Internal Service Equipment
	Water	Sewer	Total	
Cash flows from operating activities				
Receipts from customers and users	\$ 972,546	\$ 562,422	\$ 1,534,968	\$ -
Receipts from interfund services provided	-	-	-	225,317
Payments to suppliers	(398,801)	(422,528)	(821,329)	(150,927)
Payments to employees	(431,796)	(258,929)	(690,725)	-
Net cash provided by (used in) operating activities	141,949	(119,035)	22,914	74,390
Cash flows from noncapital financing activities:				
Taxes	310,275	-	310,275	-
Net cash provided by noncapital financing activities	310,275	-	310,275	-
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(213,222)	(10,847)	(224,069)	(88,447)
Capital contributions	10,000	13,500	23,500	-
Proceeds from issuance of long-term deb	253,291	-	253,291	15,561
Interest payments on long-term deb	(102,735)	-	(102,735)	(1,504)
Principal payments on long-term deb	(150,000)	-	(150,000)	-
Net cash provided by (used in) capital and related financing activities	(202,666)	2,653	(200,013)	(74,390)
Cash flows from investing activities				
Interest on investments	17,255	2,386	19,641	-
Net cash provided by investing activities	17,255	2,386	19,641	-
Net increase (decrease) in cash and cash equivalents	266,813	(113,996)	152,817	-
Cash and cash equivalents - beginning of year	1,103,224	333,030	1,436,254	-
Cash and cash equivalents - end of year	\$ 1,370,037	\$ 219,034	\$ 1,589,071	\$ - 0 -

The notes to financial statements are an integral part of this statement.

(continued)

**City of Grand Blanc, Michigan
Enterprise Funds
Statement of Cash Flows (continued)
Year Ended May 31, 2005**

	<u>Business-type Activities - Enterprise Fund</u>			<u>Governmental Activities - Internal Service Equipment</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (317,710)	\$ (244,802)	\$ (562,512)	\$ 18,021
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	261,419	120,849	382,268	81,224
Change in assets - (increase) decrease in				
Customer receivable	(11,262)	2,719	(8,543)	-
Due from other funds	(14,409)	(195,735)	(210,144)	(16,181)
Due from other governmental units	145,831	-	145,831	-
Inventory	10,000	-	10,000	-
Change in liabilities - increase (decrease) in				
Accounts payable	(125,857)	(7,310)	(133,167)	326
Due to other funds	193,937	205,244	399,181	(9,000)
Total adjustments	459,659	125,767	585,426	56,369
Net cash provided by (used in) operating activities	\$ 141,949	\$ (119,035)	\$ 22,914	\$ 74,390

The notes to financial statements are an integral part of this statement.

**City of Grand Blanc, Michigan
Balance Sheet
Fiduciary Fund
May 31, 2005**

	<u>Tax Collection Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 26,358
Total assets	<u><u>\$ 26,358</u></u>
Liabilities	
Due to other governmental unit:	<u>\$ 26,358</u>
Total liabilities	<u><u>\$ 26,358</u></u>

The notes to financial statements are an integral part of this statement.

Notes to Financial Statements

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

I. Summary of significant accounting policies

A. Reporting entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Grand Blanc, Michigan (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or functional relationships with the City.

Component units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended component unit:

City of Grand Blanc Building Authority (Debt Service Fund Type):

- The City appoints the five member Governing Board
- The Authority provides services exclusively for, and on behalf of, the City
- The Authority was established for the specific purpose of financing building construction activities for the City
- The City approves the budget

Discretely presented component units - The City has no component units that are discretely presented in the financial statements.

Joint governed organizations

The City is a member of Grand Blanc District Library Commission, which provides library services to the residents of the Charter Township and City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the City contributed \$36,800 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Grand Blanc District Library Commission can be obtained from the administrative offices at 4195 West Pasadena, Flint, MI 48504.

The City is a member of Grand Blanc Parks and Recreation Commission, which provides recreational services to the residents of the Charter Township and City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the City contributed \$114,900 for its operations. The City's equity interest of \$179,638 is recorded within the governmental activities column of the statement of net assets. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Grand Blanc Parks and Recreation Commission can be obtained from the administrative offices at 131 East Grand Blanc Road, Grand Blanc, Michigan 48439.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

I. Summary of significant accounting policies - (continued)

A. Reporting entity - (continued)

Joint governed organizations - (continued)

The City is a member of the Grand Blanc Community Fire Commission, which provides the protection services to the residents of the Charter Township and City of Grand Blanc. The participating communities provide annual funding for its operations. During the current year, the City contributed \$174,809 for its operations. The City's equity of \$393,731 is recorded within the governmental activities column of the statement of net assets. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The complete financial statements for the Grand Blanc Fire Commission can be obtained from the administrative offices at 117 High Street, Grand Blanc, Michigan 48439.

B. Government-wide and fund financial statements

During the year ended May 31, 2005, the City implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The new standard requires government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

I. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major and Local Street Funds account for the City's share of proceeds from gas and weight taxes levied by the State and distributed to local governmental units. State law requires that these taxes be used for street maintenance and construction.

The government reports the following major proprietary funds:

The Water Supply and Sewer Disposal System are managed by the City's Department of Public Works. Separate funds are maintained for the operations of the water distribution system and sewage collection, pumping and distribution to the County's treatment plant.

Additionally, the government reports the following fund types:

Internal service funds account for motor pool provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Agency Funds account for assets held by the City as an agent for individuals, private organizations and other governments.

Agency funds are reported as fiduciary funds.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

I. Summary of significant accounting policies - (continued)

C. Measurement focus, basis of accounting, and financial statement presentation - (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and fund equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Investments for the government, as well as for its component units, are reported at fair value.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and fund equity- (continued)

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	31.5
Improvements other than buildings	15-50
Vehicles	3-20
Machinery and equipment	5-20
Infrastructure	15-50

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and fund equity - (continued)

4. Accumulated unpaid vacation, personal, and sick pay

All vacation days accumulated must be used by December 31 each year, or the vacation pay will be forfeited. Depending on the employee group, up to five days of accumulated personal days will be paid to each employee at December 31 of each year. Up to 40 sick days may be accumulated by each employee. Any unused sick pay of employees will be paid at fifty percent of the outstanding balance upon retirement only.

Accumulated vested unpaid vacation and personal at May 31, 2005, is recorded in the financial statements of the City as follows:

Governmental Fund Types

- A current year expenditure if paid out of expendable available financial resources.

Proprietary Fund Types

- A current year expense.

5. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

- Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
- The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Comparative data

Comparative data (i.e., presentation of prior year totals by fund type) have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and fund equity - (continued)

8. Property taxes

Property taxes are levied based on assessed values of property located in the City. Assessed values are established annually and equalized by the state at an estimated 50% of current market value. A comparison of assessed and taxable property values for the 2004 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real qualified property	\$280,225,095	\$247,472,235
Personal property	11,571,650	11,571,650
Total	<u>\$291,796,745</u>	<u>\$258,043,885</u>

E. Revenues, expenditures, and expenses

Property taxes

Property taxes attach as an enforceable lien on property as of December 31 each year. City taxes, levied and immediately due on the following July 1, are collected without penalty through August 31, and with penalty thereafter. City property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are measurable and available. The City bills and collects its own property taxes, as well as taxes for the county and several school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the Tax Collection Agency Fund. The City's charter allows the City to levy 20 mills. The City levied for 2004 general operating 9.9500 mills, streets 1.0000 mill, and water operating .2000 mills for a total of 11.1500 mills. The City has voted levies for water debt service 1.000 mill which expires in 2023 and parks and recreation .9852 mills which expires in 2007. General operating and parks and recreation millage are recorded in the general fund. The water debt levy and water operating millage are recorded in the water fund. The streets millage is recorded in the local street fund.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets.

One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$2,296,369 difference are as follows:

Bonds payable	\$2,105,000
Capital leases payable	8,094
Compensated absences	<u>317,119</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$2,430,213</u>

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

II. Reconciliation of government-wide and fund financial statements- (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,985,427 difference are as follows:

Capital outlay	\$2,165,859
Depreciation expense	<u>180,432</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$1,985,427</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$391,004 difference are as follows:

Principal repayments:	
General obligation debt	\$200,000
Capital lease	8,095
Compensated absences	<u>227,831</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$435,926</u>

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

III. Stewardship, compliance, and accountability

Budgetary information

Budgets shown in the financial statements were prepared on the same modified accrual basis used to reflect actual results. The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first Monday in May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following June 1. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds.

Informational summaries of projected revenues and expenditures are provided for all other City funds, as well as estimated total costs and proposed methods of financing all capital construction projects.

2. Public hearings are conducted to obtain taxpayer comments.
3. In May, by resolution, the budget is legally enacted on a departmental (activity) basis for the General Fund and on a fund total for the Special Revenue Funds for the ensuing fiscal year, in accordance with Public Act 621 of the State of Michigan.
4. The City Manager, or his designee, is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).
6. Budget appropriations lapse at year end.
7. The original budget was amended during the year in compliance with the City Charter and applicable state laws. The budget-to-actual expenditures in the financial statements represent the final budgeted expenditures as amended by the City Council.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. There were no encumbrances at year end.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

III. Stewardship, compliance, and accountability - (continued)

Budgetary information - (continued)

Expenditures over budget:

The following individual funds incurred expenditures in excess of appropriations:

<u>Fund</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
General Fund	General Government:			
	Retirement benefits	\$ 46,268	\$ 50,113	\$ 3,845
	Public Service	752,465	913,389	160,924
	Public Works	286,100	291,338	5,238
	Debt Service:			
	Principal retirement	-	25,000	25,000
	Interest and fiscal changes	-	8,382	8,382
Special Revenue				
Fund Types:				
Local Street	Highways and Streets	401,000	639,923	238,923

IV. Detail notes on all funds

A. Deposits and investments

Deposits:

At year end, the carrying amount of the City's deposits was \$1,255,672, excluding petty cash of \$675, and the bank balance was \$1,394,598. The bank balance included outstanding checks at year end. Of the bank balance, \$486,633 or 35% was insured and \$907,965 or 65% was uninsured or uncollateralized. Certificates of deposits represented \$700,000 of the balance.

Investments:

State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments. In addition, the City has authorized the following depositories: Republic Bank, Citizens Bank, Bank One, Standard Federal, and Fifth-Third Bank.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

IV. Detail notes on all funds - (continued)

A. Deposits and investments - (continued)

Investments: - (continued)

At year end, the government's investment balances were as follows:

	<u>Category</u>			<u>Reported Amount/ Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Repurchase agreements	\$ -	\$ -	\$3,194,418	\$3,194,418
Total	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$3,194,418</u>	3,194,418
Investments not subject to categorization:				
Money markets pool				<u>100,000</u>
Total investments				<u>\$3,294,418</u>

B. Receivables

Receivables as of year end for the City's individual major funds and nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor Other Funds</u>	<u>Total</u>
Receivables:					
Accounts	\$ 14,220	\$ -	\$ -	\$ -	\$ 14,220
Taxes	121,157	-	-	-	121,157
Inter- governmental	<u>133,235</u>	<u>71,776</u>	<u>46,054</u>	<u>1,198</u>	<u>252,263</u>
Gross and net receivables	<u>\$268,612</u>	<u>\$ 71,776</u>	<u>\$ 46,054</u>	<u>\$ 1,198</u>	<u>\$387,640</u>

No allowance was deemed necessary for the outstanding receivables.

Business type activities:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Receivables:			
Accounts	\$221,970	\$124,681	\$346,651
Taxes	<u>8,747</u>	<u>-</u>	<u>8,747</u>
	<u>\$230,717</u>	<u>\$124,681</u>	<u>\$355,398</u>

No allowance for uncollectible was deemed necessary.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

IV. Detail notes on all funds - (continued)

C. Capital assets

Capital asset activity for the year ended May 31, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$3,012,942	\$ 250,443	\$ -	\$3,263,385
Construction in progress	-	492,983	-	492,983
Total capital assets, not being depreciated	3,012,942	743,426	-	3,756,368
Capital assets, being depreciated:				
Buildings and building improvements	2,747,540	8,458	-	2,755,998
Improvements other than buildings	494,150	-	-	494,150
Machinery, vehicles, and equipment	1,378,023	181,235	-	1,559,258
Infrastructure	-	1,321,186	-	1,321,186
Total capital assets being depreciated	4,619,713	1,510,879	-	6,130,592
Less accumulated depreciation for:				
Buildings and building improvements	(1,317,488)	(83,148)	-	(1,400,636)
Improvements other than buildings	(123,867)	(32,210)	-	(156,077)
Machinery, vehicles, and equipment	(860,343)	(93,435)	-	(953,778)
Infrastructure	-	(52,860)	-	(52,860)
Total accumulated depreciation	(2,301,698)	(261,653)	-	(2,563,351)
Total capital assets, being depreciated, net	2,318,015	1,249,226	-	3,567,241
Governmental activities capital assets, net	\$5,330,957	\$1,992,652	\$ -0-	\$7,323,609
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 195,120	\$ -	\$ -	\$ 195,120
Construction in progress	4,376,650	500	(4,376,650)	500
Total capital assets, not being depreciated	4,571,770	500	(4,376,650)	195,620
Capital assets, being depreciated:				
Buildings	153,385	-	-	153,385
Improvements other than buildings	13,656,063	4,600,218	-	18,256,281
Machinery and equipment	152,018	-	-	152,018
Total capital assets, being depreciated	13,961,466	4,600,218	-	18,561,684

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

IV. Detail notes on all funds - (continued)

C. Capital assets - (continued)

Primary Government - (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities: - (continued)				
Less accumulated depreciation for:				
Buildings	(34,770)	(3,163)	-	(37,933)
Improvements other than buildings	(6,748,580)	(374,228)	-	(7,122,808)
Machinery and equipment	(122,214)	(4,877)	-	(127,091)
Total accumulated depreciation	(6,905,564)	(382,268)	-	(7,287,832)
Total capital assets, being depreciated, net	7,055,902	4,217,950	-	11,273,852
Business-type activities capital assets, net	\$11,627,672	\$4,218,450	\$(4,376,650)	\$11,469,472

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

General government	\$ 45,631
Public safety	15,046
Public works	85,126
Public service	62,990
Highway and streets	52,860
	<u>52,860</u>

Total depreciation expense – governmental activities	<u>\$261,653</u>
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Business-type activities:

Water	\$261,419
Sewer	120,849
	<u>120,849</u>

Total depreciation expense – business-type activities	<u>\$382,268</u>
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Construction commitments:

The government has active construction projects as of May 31, 2005. The projects include street construction in areas with newly developed housing, widening and construction of existing streets and bridges. At year end the government's commitments with contractors was not significant.

Construction in progress represents water and sewer utility lines being completed. At year end, there are no unrecorded liabilities or material commitments related to these construction projects.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

IV. Detail notes on all funds - (continued)

D. Inter-fund receivables and payables

The composition of inter-fund balances as of May 31, 2005 is as follows:

Due to/from other funds:

Receivable <u>Fund</u>	Payable <u>Fund</u>	<u>Amount</u>
General	Major Street	\$ 868,937
	Local Street	74,854
	Community Development	1,198
	Building Authority	54,638
	Water	409,868
	Sewer	327,010
Major Street	Local Street	153,158
Capital Improvement	General	23,368
Capital Projects	General	57,609
Building Authority	Capital Improvement	11,050
	Capital Project	54,494
Sewer	Major Street	70,518
	Local Street	90,837
	Water	366,113
Water	Major Street	13,266
	Local Street	11,092
	Debt Service – Water	100,305
	Equipment	164
Equipment	General	<u>186,741</u>
Total		<u><u>\$2,875,220</u></u>

	<u>Transfer In</u>		
	<u>Local Street</u>	<u>Non-major Governmental</u>	<u>Total</u>
Transfer out:			
General Fund	\$ -	\$101,303	\$101,303
Major Street Fund	14,588	120,000	134,588
Local Street Fund	-	26,644	26,644
Total transfer out	<u>\$ 14,588</u>	<u>\$247,947</u>	<u>\$262,535</u>

Transfer between funds were primarily for operating purposes.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

IV. Detail notes on all funds - (continued)

Outstanding debt - The following is a summary of the debt outstanding of the City as of May 31, 2005:

	Final Payment <u>Due</u>	Approximate Interest <u>Rate</u>	Annual Principal Payment <u>Varies Between</u>	Outstanding Balance <u>May 31, 2005</u>
Governmental-type activities:				
1993 Michigan Transportation Fund Bonds	August 1, 2010	3.25-5.375	30,000 - 40,000	\$ 180,000
1995 Building Authority Bonds	October 1, 2006	3.8-5.0	100,000	100,000
1999 Building Authority Bonds	October 1, 2006	3.4-4.5	30,000	30,000
2001 Installment Note Payable	April 1, 2010	5.25	25,000 - 30,000	135,000
2001 Michigan Transportation Fund Bonds	August 1, 2017	2.0	50,000 - 175,000	1,350,000
2005 Mannor Property Note Payable	October 1, 2014	3.68	25,000 - 35,000	310,000
2005 Motorola Note Payable	September 16, 2015	3.17	8,094	8,094
Equipment note payable	June 17, 2005	5.85%	\$ 13,220	13,220
Equipment note payable	October 18, 2007	6.01	8,810 - 9,901	<u>28,050</u>
Total governmental-type activities				<u>2,154,364</u>
Business-type activities:				
Water Fund Debt:				
2003 Drinking Water Revolving Fund Bond	October 1, 2022	2.5	150,000 – 235,000	3,450,000
2003 Drinking Water Revolving Fund Bond	October 1, 2022	2.5	32,931 – 50,000	<u>647,931</u>
Total business-type activities				<u>4,097,931</u>
Accumulated employee benefits				<u>317,119</u>
Total long-term debt				<u><u>\$6,569,414</u></u>

The accumulated employee benefits represent the estimated liability to be paid to employees under the City's personal, and vacation policy, net of the portion that is estimated will be paid currently. Under the City's policy, employees earn personal, vacation, and sick time based on time of service with the City.

Resources are transferred from the Major Street and Local Street Funds to the Debt Service Fund to repay the Michigan Transportation bonds. General Fund resources are used to pay the Building Authority bonds. Property taxes are levied to pay a portion of the 2003 Drinking Water Revolving Fund Bonds and operating revenues will be used to pay the remainder of the 2003 Drinking Water Revolving Fund Bonds from the Water Fund. General Fund resources will be used to pay the installment and equipment notes payable.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

IV. Detail notes on all funds - (continued)

Long-term liability activity for the year ended May 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable					
General obligation bonds	\$1,835,000	\$ -	\$(175,000)	\$1,660,000	\$210,000
Notes payable	160,000	310,000	(25,000)	445,000	55,000
Total bonds and notes payable	1,995,000	310,000	(200,000)	2,105,000	265,000
Capital leases	25,709	49,239	(25,584)	49,364	30,124
Compensated absences (accrued liabilities)	315,251	229,699	(227,831)	317,119	183,275
Governmental activity long-term liabilities	<u>\$2,335,960</u>	<u>\$588,938</u>	<u>\$(453,415)</u>	<u>\$2,471,483</u>	<u>\$478,399</u>
Business-type activities					
Business-type activity long-term liabilities	<u>\$3,994,642</u>	<u>\$288,289</u>	<u>\$(185,000)</u>	<u>\$4,097,931</u>	<u>\$190,000</u>

Governmental-type activities:

Debt service requirements on general obligation and bonded debt:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
Year ended 5-31-2006	\$ 382,241	\$ 295,124	\$ 87,117
5-31-2007	245,048	169,339	75,709
5-31-2008	238,279	169,901	68,378
5-31-2009	235,652	175,000	60,652
5-31-2010	252,395	200,000	52,395
5-31-2011 to 2015	955,133	797,000	158,133
5-31-2016 to 2017	364,875	350,000	14,875
	<u>\$2,673,623</u>	<u>\$2,154,364</u>	<u>\$519,259</u>

All general obligation contracts and bonded debt are supported by the City's "unlimited tax" or "limited tax" full faith and credit.

Interest is payable on all obligations semi-annually. Principal is paid on an annual basis.

General Fund installment and equipment notes are secured by the underlying land or equipment being purchased.

Interest is payable on all obligations semi-annually. Principal is paid on an annual basis.

By state statute, the City has a legal debt limit amounting to 10% of the assessed value of real and personal property. As of May 31, 2005, the City had a legal debt limit of \$29,171,257 and had incurred \$0 in debt subject to limitation.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

IV. Detail notes on all funds - (continued)

Business-type activities:

Debt service requirements on general obligation and bonded debt:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
Year ended 5-31-2006	\$ 290,074	\$ 190,000	\$100,074
5-31-2007	285,322	190,000	95,322
5-31-2008	285,511	195,000	90,511
5-31-2009	285,573	200,000	85,573
5-31-2010	290,448	210,000	80,448
5-31-2011 to 2015	1,440,115	1,120,000	320,115
5-31-2016 to 2020	1,441,741	1,270,000	171,741
5-31-2021 to 2025	749,468	722,931	26,537
	<u>\$5,068,252</u>	<u>\$4,097,931</u>	<u>\$970,321</u>

All general obligation contracts and bonded debt are supported by the City's "unlimited tax" or "limited tax" full faith and credit.

Interest is payable on all obligations semi-annually. Principal is paid on an annual basis.

V. Other information

A. Retirement plan - defined contribution - I.C.M.A.

During the year ended May 31, 1994, the City began participation in a defined contribution plan. The plan is a single employer defined contribution plan administered by the International City Managers Association. The plan covers all full-time employees that elected to participate in the plan. The City has no fiduciary responsibilities for the plan administration or investment of the funds.

The City's pension plan was organized under Public Act #135 of 1945 as amended, State of Michigan. Employees are eligible to participate in the pension plan after one month of service with a minimum age requirement of 21. The plan provides for employees to be 100% vested after three years of service, with 0% vesting prior to that point. The minimum required contributions for plan participants is 11.5% of base salary to be paid by the employer. Employees did not contribute to the plan during the year.

During the year, contributions totaling \$12,487 were made by the employer in accordance with contribution requirements established by counsel.

All investments are handled through ICMA. The plan allows loans to participants. Plan assets do not consist of any employer or related party investments.

B. Retirement plan - defined benefit - Michigan Municipal Employee Retirement System

Plan description

During the year ended May 31, 1996, the City of Grand Blanc elected to participate in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The City has no fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole. The reports can be obtained by writing to Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

V. Other information - (continued)

B. Retirement plan - defined benefit - Michigan Municipal Employee Retirement System - (continued)

Plan description - (continued)

Membership in the plan at December 31, 2004, the date of the latest actuarial valuation, is comprised of 35 active members, 0 inactive members, and 1 retiree and beneficiary.

The plan provides for vesting of benefits after 10 years of service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 50 with 25 or more years of service for police patrol unit, and at age 55 with 25 or more years of service for administration, DPW, and Police command. Election of early retirement is subject to reduction of benefits as outlined below.

Participants are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 2.5% of the member's final average compensation (FAC), for police patrol unit, 2.25% of the member's final average compensation. (FAC) for administration and police command and 2.0% of the member's final average compensations (FAC) for DPW. The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available.

Funding policy

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. The City makes employer contributions in accordance with funding requirements determined by MERS' actuary. Benefit provisions and contribution obligations have been established by union contract.

For fiscal year ended May 31, 2005, DPW group was required to contribute 4.34% of wages. Starting beginning fiscal year May 31, 2006, Police Command is required to contribute 2.06% of wages. Neither admin nor police employees are required to make contributions.

There was \$1,224 pension contributions withheld from employees for DPW during the year ended May 31, 2005.

Actuarial assumptions

The significant actuarial assumptions used to compute the actuarial accrued liabilities are as follows:

Valuation date	December 31, 2004
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Remaining amortization period	33 years open
Asset valuation method	5 year smoothed market
Investment rate of return	8.0 %
Projected salary increases	4.5% - 8.66%
Includes inflation at	4.5%
Cost of living adjustments (COLA)	up to 2.5%

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

V. Other information - (continued)

B. Retirement plan - defined benefit - Michigan Municipal Employee Retirement System - (continued)

Annual pension cost

The City's Annual Required Contribution (ARC) and Annual Pension Cost (APC) for the year ended May 31, 2005 was \$227,862. All employer contributions made were equal to required contributions by MERS. There was no accumulated Net Pension Obligation (NPO) at May 31, 2005. The Annual Pension Cost (APC), percentage of APC contributed, and Net Pension Obligation (NPO) for the year ended May 31, 2005, 2004, and 2003 are summarized as follows:

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
5/31/03	12/31/02	\$ 63,718	100.0%	\$ -
5/31/04	12/31/03	73,444	100.0	-
5/31/05	12/31/04	227,862	100.0	-

**Pension Plan
Schedule of Funding Progress**

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability Entry Age (AAL) (b)</u>	<u>Unfunded (Over funded) AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as % of Covered Payroll (b-a)/c)</u>
5/31/03	12/31/02	\$1,248,576	\$1,621,050	\$ 372,474	77.0%	\$715,781	52.0%
5/31/04	12/31/03	1,443,333	1,761,082	317,749	82.0	733,867	43.0
5/31/05	12/31/04	4,346,643	6,420,140	2,073,497	67.7	2,081,499	99.6

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

V. Other information - (continued)

C. Post-employment benefits

Substantially all employees are eligible to receive post-employment benefits upon retirement in the form of health care, dental, and life insurance benefits. These benefits are provided by contractual agreement and are paid annually by the General Fund. The City funds these costs on a pay-as-you-go basis. The amounts are recorded as an expenditure when the fund liability is incurred. The benefit amounts incurred totaled \$50,113 during the year ended May 31, 2005. The total number of eligible retirees amounted to nine individuals at May 31, 2005. By contractual agreement, the City pays 100% of these costs. There are no provisions for employee contributions.

Upcoming reporting change:

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending May 31, 2010. Management is currently assessing the impact of this new accounting standard on the City's financial statement for future reporting periods.

D. Risk management

The City is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits provided to employees and participates in the Michigan Municipal League (MML) risk pool for claims relating to property loss, torts, errors and omissions. The City pays unemployment claims on a reimbursement basis. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

E. Contingencies

Federal assisted programs - compliance audits:

The City participates in the federally assisted Community Development Block Grant and COPS in School. These programs are subject to program compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

City of Grand Blanc, Michigan
Notes to Financial Statements
For the Year Ended May 31, 2005

V. Other information - (continued)

F. Designated fund balances

The fund balance of the General Fund has been designated for the following purposes:

General Fund:

Working capital, in an amount approximating one-fourth of the anticipated tax revenue, for the year ended May 31, 2005	\$671,529
City employee retirement benefit costs	<u>120,000</u>
Total	<u><u>\$791,529</u></u>

The capital project fund balance is designated for library capital improvements.

G. Construction code revenues/expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed revenues. The City chose the latter because historically the expenditures have exceeded revenues. The activity related to construction code activity for the year ended May 31, 2005 is as follows:

Beginning deficit	\$ (45,941)
Construction permit revenue	\$ 34,966
Expenditures:	
Professional services	<u>(111,368)</u>
Revenue over (under) expenditures	<u>(76,402)</u>
Ending deficit	<u><u>\$(122,343)</u></u>

H. Federal awards

It is required by the Michigan Department of Transportation (MDOT) that governmental units report total federal awards for Highway Research, Planning and Construction pertaining to their unit. However, only the federal awards applicable to force account expenditures are required to be audited for compliance under the Single Audit Act. The reason for this requirement is that the City is required to have accounting and administrative control over the force account portion while the balance is administered by MDOT.

During the year ended May 31, 2005, the City of Grand Blanc did have \$500,000 in total federal awards (local force revenue applicable to force account expenditures plus any other federal grants). As a result, an audit for compliance under the Single Audit Act has been performed.

Required Supplementary Information

City of Grand Blanc, Michigan
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended May 31, 2005

	Budget Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 2,604,050	\$ 2,604,050	\$ 2,855,342	\$ 251,292
Licenses and permits	124,630	124,630	128,667	4,037
Intergovernmental revenue				
Federal	-	7,100	78,789	71,689
State	613,400	613,400	709,581	96,181
Local	-	-	-	-
Charges for services	417,700	420,700	441,518	20,818
Fines and forfeits	35,100	35,100	31,256	(3,844)
Interest	40,000	40,000	30,086	(9,914)
Miscellaneous	23,000	24,400	43,616	19,216
Total revenues	3,857,880	3,869,380	4,318,855	449,475
Expenditures:				
Current:				
General government				
Administration	\$ 240,950	\$ 240,950	\$ 228,336	\$ 12,614
City manager	123,452	127,952	127,129	823
Elections	12,700	11,200	10,810	390
Assessor	54,765	42,765	36,082	6,683
City clerk	102,760	102,760	99,181	3,579
City treasurer	26,885	24,385	23,281	1,104
City hall	99,000	89,000	73,798	15,202
City property	54,100	315,600	305,973	9,627
Personnel	7,900	3,400	1,899	1,501
Retirement benefits	117,568	46,268	50,113	(3,845)
Total general government	840,080	1,004,280	956,602	47,678
Public safety:				
Police department	1,924,925	1,981,925	1,945,827	36,098
Building inspection	103,510	114,310	111,368	2,942
Total public safety	2,028,435	2,096,235	2,057,195	39,040
Public service	743,465	752,465	913,389	(160,924)
Public works	240,600	286,100	291,338	(5,238)
Debt service:				
Principal retirement	-	-	25,000	(25,000)
Interest and fiscal charges	-	-	8,382	(8,382)
Total debt service	-	-	33,382	(33,382)
Total expenditures	3,852,580	4,139,080	4,251,906	(112,826)
Excess (deficiency) of revenues over expenditure	5,300	(269,700)	66,949	336,649

(continued)

City of Grand Blanc, Michigan
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (continued)
Year Ended May 31, 2005

Other financing sources (uses)				
Transfers out	(105,300)	(105,300)	(101,303)	3,997
Financing proceeds	-	310,000	310,000	-
Total other financing sources (uses)	(105,300)	204,700	208,697	3,997
Net change in fund balances:	(100,000)	(65,000)	275,646	340,646
Fund balances - beginning of year	2,303,104	2,303,104	2,303,104	-
Fund balances - end of year	\$ 2,203,104	\$ 2,238,104	\$ 2,578,750	\$ 340,646

**City of Grand Blanc, Michigan
Major Street Special Revenue Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended May 31, 2005**

	Budget Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenue				
Federal	\$ -	\$ 360,000	\$ 664,343	\$ 304,343
State	341,000	358,000	377,015	19,015
Interest	5,000	5,000	13,446	8,446
Total revenues	346,000	723,000	1,054,804	331,804
Expenditures:				
Current:				
Highways and streets:	1,203,000	1,600,000	1,414,829	185,171
Total Expenditures	1,203,000	1,600,000	1,414,829	185,171
Excess (deficiency) of revenues over expenditure	(857,000)	(877,000)	(360,025)	516,975
Other financing uses				
Transfers out	(166,305)	(146,305)	(134,588)	11,717
Total other financing uses	(166,305)	(146,305)	(134,588)	11,717
Net change in fund balances:	(1,023,305)	(1,023,305)	(494,613)	528,692
Fund balance - beginning of year:	1,023,305	1,023,305	980,312	(42,993)
Fund balance - end of year:	\$ - 0 -	\$ - 0 -	\$ 485,699	\$ 485,699

**City of Grand Blanc, Michigan
Local Street Special Revenue Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended May 31, 2005**

	Budget Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 250,000	\$ 250,000	\$ 258,399	\$ 8,399
Intergovernmental revenue				
Federal	-	-	362,922	362,922
State	130,000	130,000	139,850	9,850
Interest	2,500	2,500	9,390	6,890
Total revenues	382,500	382,500	770,561	388,061
Expenditures:				
Current:				
Highways and streets	401,000	401,000	639,923	(238,923)
Total expenditures	401,000	401,000	639,923	(238,923)
Excess (deficiency) of revenues over expenditure	(18,500)	(18,500)	130,638	149,138
Other financing sources (uses)				
Transfers in	46,270	46,270	14,588	(31,682)
Transfers out	(27,770)	(27,770)	(26,644)	1,126
Total other financing sources (uses)	18,500	18,500	(12,056)	(30,556)
Net change in fund balances	-	-	118,582	118,582
Fund balance - beginning of year	180,909	180,909	180,909	-
Fund balance - end of year	\$ 180,909	\$ 180,909	\$ 299,491	\$ 118,582

City of Grand Blanc
Notes to Required Supplementary Information
May 31, 2005

Summary of Significant Accounting Policies – Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

The budgets for the General Fund and the Major Streets and the Local Streets Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The budget is adopted by department and fund on an activity basis. Line item detail is provided as a general guideline.

**Combining and Individual Fund
Financial Statements**

Nonmajor Governmental Funds

**City of Grand Blanc, Michigan
Nonmajor Governmental Fund
Combining Balance Sheet
May 31, 2005**

	Special Revenue	Debt Service	Capital Project	Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 153,234	\$ -	\$ 153,234
Due from other funds	23,368	65,545	57,609	146,522
Due from other governmental units	1,198	-	-	1,198
Total assets	\$ 24,566	\$ 218,779	\$ 57,609	\$ 300,954
 Liabilities and Fund Balance				
Current liabilities:				
Due to other funds	\$ 12,248	\$ 154,943	\$ 54,494	\$ 221,685
Total liabilities	12,248	154,943	54,494	221,685
Fund balance:				
Reserved	-	-	3,115	3,115
Unreserved and undesignated	12,318	63,836	-	76,154
Total fund balance	12,318	63,836	3,115	79,269
Total liabilities and fund balance	\$ 24,566	\$ 218,779	\$ 57,609	\$ 300,954

**City of Grand Blanc, Michigan
Nonmajor Governmental Fund
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended May 31, 2005**

	Special Revenue	Debt Service	Capital Project	Totals
Revenues:				
Intergovernmental revenue:				
Federal	\$ 23,019	\$ -	\$ -	\$ 23,019
Interest	-	2,106	-	2,106
Total revenues	23,019	2,106	-	25,125
Expenditures:				
Current				
Public service	23,019	-	-	23,019
Debt service:				
Principal retirement	-	175,000	-	175,000
Interest and fiscal charges	-	75,622	-	75,622
Total expenditures	23,019	250,622	-	273,641
Excess (deficiency) of revenues over expenditure	-	(248,516)	-	(248,516)
Other financing sources				
Transfers in	-	247,947	-	247,947
Total other financing sources	-	247,947	-	247,947
Net change in fund balances:	-	(569)	-	(569)
Fund balances - beginning of year	12,318	64,405	3,115	79,838
Fund balances - end of year	\$ 12,318	\$ 63,836	\$ 3,115	\$ 79,269

Special Revenue Funds

Capital Improvements - To account for non-tax revenues set aside for public improvements.

Community Development Fund - To account for revenues earned and expenditures incurred by the City as a sub-grantee of the Community Development Block Grant Program. The program includes projects for the museum elevator, the master plan update, and other community enrichment activities.

**City of Grand Blanc, Michigan
Special Revenue Fund
Combining Balance Sheet
May 31, 2005**

	Capital Improvements	Community Development	Totals
Assets			
Current assets:			
Due from other funds	\$ 23,368	\$ -	\$ 23,368
Due from other governmental units	-	1,198	1,198
Total assets	<u>\$ 23,368</u>	<u>\$ 1,198</u>	<u>\$ 24,566</u>
Liabilities and Fund Balance			
Current liabilities:			
Due to other funds	\$ 11,050	\$ 1,198	\$ 12,248
Total liabilities	<u>11,050</u>	<u>1,198</u>	<u>12,248</u>
Fund balances:			
Unreserved:			
Undesignated	<u>12,318</u>	-	<u>12,318</u>
Total fund balance	<u>12,318</u>	<u>-</u>	<u>12,318</u>
Total liabilities and fund balances	<u>\$ 23,368</u>	<u>\$ 1,198</u>	<u>\$ 24,566</u>

**City of Grand Blanc, Michigan
Special Revenue Fund
Combining Statement of Revenues
Expenditures, and Changes in Fund Balance
Year Ended May 31, 2005**

	Capital Improvements	Community Development	Totals
Revenues:			
Intergovernmental revenue			
Federal	\$ -	\$ 23,019	\$ 23,019
Total revenues	-	23,019	23,019
Expenditures:			
Current:			
Public service	-	23,019	23,019
Total expenditures	-	23,019	23,019
Excess of revenues over expenditure	-	-	-
Fund balance - beginning of year	12,318	-	12,318
Fund balance - end of year	\$ 12,318	\$ - 0 -	\$ 12,318

**City of Grand Blanc, Michigan
Special Revenue Fund
Combining Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Year Ended May 31, 2005**

		Capital Improvements			
		Budget Amounts		Actual	Variance- Positive (Negative)
		Original	Final		
Revenues:					
Taxes		\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue					
Federal		-	-	-	-
State		-	-	-	-
Interest		-	-	-	-
Total revenues		-	-	-	-
Expenditures:					
Current:					
Public service		-	-	-	-
Total expenditures		-	-	-	-
Excess of revenues over expenditure		-	-	-	-
Fund balance - beginning of year		12,318	12,318	12,318	-
Fund balance - end of year		\$ 12,318	\$ 12,318	\$ 12,318	\$ - 0 -

Community Developmen			
Budget Amounts		Actual	Variance- Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
73,601	73,601	23,019	(50,582)
-	-	-	-
-	-	-	-
73,601	73,601	23,019	(50,582)
73,601	73,601	23,019	50,582
73,601	73,601	23,019	50,582
-	-	-	-
-	-	-	-
\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

Debt Service Funds

1993 Transportation Bond Debt Service - To account for the servicing of the 1993 Transportation Bonds.

2001 Transportation Bond Debt Service - To account for the servicing of the 2001 Transportation Bonds.

Water Project Debt Service - To account for the servicing of the 1991 General Obligation Water Bonds.

Building Authority - To account for the servicing of the 1995 Building Authority Bonds and the 1999 Building Authority Bonds.

**City of Grand Blanc, Michigan
Debt Service Funds
Combining Balance Sheet
May 31, 2005**

	1993 Transportation Bond Debt Service	2001 Transportation Bond Debt Service	Water Project Debt Service
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 153,234
Due from other funds	-	-	-
Total assets	\$ - 0 -	\$ - 0 -	\$ 153,234
Liabilities and Fund Balance			
Liabilities:			
Due to other funds	\$ -	\$ -	\$ 100,305
Total liabilities	-	-	100,305
Fund balance:			
Unreserved and undesignated	-	-	52,929
Total liabilities and fund balance	\$ - 0 -	\$ - 0 -	\$ 153,234

Building Authority	Totals
\$ -	\$ 153,234
65,545	65,545
\$ 65,545	\$ 218,779

\$ 54,638	\$ 154,943
54,638	154,943
10,907	63,836
\$ 65,545	\$ 218,779

**City of Grand Blanc, Michigan
Debt Service Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance
Year Ended May 31, 2005**

	1993 Transportation Bond Debt Service	2001 Transportation Bond Debt Service	Water Project Debt Service
Revenues:			
Interest	\$ -	\$ -	\$ 2,106
Total revenues	-	-	2,106
Expenditures:			
Debt service:			
Principal retirement	30,000	50,000	-
Interest and fiscal charges	10,369	56,275	-
Total expenditures	40,369	106,275	-
Excess (deficiency) of revenues over expenditure	(40,369)	(106,275)	2,106
Other financing sources			
Transfers in	40,369	106,275	-
Total other financing sources	40,369	106,275	-
Net change in fund balances	-	-	2,106
Fund balances - beginning of year	-	-	50,823
Fund balances - end of year	\$ - 0 -	\$ - 0 -	\$ 52,929

Building Authority	Totals
\$ -	\$ 2,106
-	2,106
95,000	175,000
8,978	75,622
103,978	250,622
(103,978)	(248,516)
101,303	247,947
101,303	247,947
(2,675)	(569)
13,582	64,405
\$ 10,907	\$ 63,836

Fiduciary Funds

Agency Funds

Tax Collection - To account for the collection and payment to the county, school districts, and others for which property taxes collected by the City on their behalf.

**City of Grand Blanc, Michigan
Tax Collection Agency Fund
Statement of Changes in Assets and Liabilities
Year Ended May 31, 2005**

	Balance June 1, 2004	Additions	Deductions	Balance May 31, 2005
<u>Tax Collection Agency Fund</u>				
Assets				
Cash and cash equivalents	\$ 18,734	\$ 11,250,784	\$ 11,243,160	\$ 26,358
Taxes receivable	88,022	129,904	217,926	-
Total assets	<u>\$ 106,756</u>	<u>\$ 11,380,688</u>	<u>\$ 11,461,086</u>	<u>\$ 26,358</u>
Liabilities				
Due to other funds	\$ 71,732	\$ 1,416,748	\$ 1,488,480	\$ -
Due to other governmental units	35,024	9,963,940	9,972,606	26,358
Total liabilities	<u>\$ 106,756</u>	<u>\$ 11,380,688</u>	<u>\$ 11,461,086</u>	<u>\$ 26,358</u>

Capital Assets Used in Operation of Governmental Funds

To account for capital assets not used in proprietary fund operations.

City of Grand Blanc, Michigan
Capital Assets Used in the Operation of Governmental fund
Schedules By Source¹
May 31, 2005

Governmental funds capital assets:

Land	\$ 3,263,385
Buildings and improvements	2,755,998
Improvements other than buildings	494,150
Equipment	212,659
Infrastructure	1,321,186
Construction in progress	<u>492,983</u>
Total governmental funds capital assets	<u><u>\$ 8,540,361</u></u>

Investments in governmental funds capital assets by source

General Fund revenue	\$ 6,726,192
Special revenue funds	<u>1,814,169</u>
Total investment in general fixed assets	<u><u>\$ 8,540,361</u></u>

¹This schedule presents only the capital asset balances related to governmental fund. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Grand Blanc, Michigan
Capital Assets Use in the Operation of Governmental Funds
Schedule By Function and Activity¹
May 31, 2005

	<u>Total</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Improvements Other than Buildings</u>
General government:				
City hall	\$ 2,558,691	\$ 1,315,701	\$ 1,162,540	\$ -
Public safety:				
Police department	81,343	-	-	-
Fire department	567,778	67,778	500,000	-
Total public safety	649,121	67,778	500,000	-
Public works	155,750	10,000	123,000	-
Public service	3,362,630	1,869,906	970,458	494,150
Highways and streets	1,814,169	-	-	-
 Total governmental funds capital assets	 \$ 8,540,361	 \$ 3,263,385	 \$ 2,755,998	 \$ 494,150

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>
\$ 80,450	\$ -	\$ -
81,343	-	-
-	-	-
81,343		
22,750	-	-
28,116	-	-
-	1,321,186	492,983
\$ 212,659	\$ 1,321,186	\$ 492,983

City of Grand Blanc, Michigan
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity¹
Year Ended May 31, 2005

	Governmental Funds Capital Assets June 1, 2004	Additions	Deductions	Governmental Funds Capital Assets May 31, 2005
<u>Function and Activity:</u>				
General government:				
City hall	\$ 2,323,691	\$ 235,000	\$ -	\$ 2,558,691
Public safety:				
Police department	11,305	70,038	-	81,343
Fire department	567,778	-	-	567,778
Total public safety	579,083	70,038	-	649,121
Public works	133,000	22,750	-	155,750
Public service	3,338,729	23,901	-	3,362,630
Highways & streets	-	1,814,169	-	1,814,169
Total governmental funds capital assets	\$ 6,374,503	\$ 2,165,858	\$ - 0 -	\$ 8,540,361

¹This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Long-Term Debt

To account for long-term liabilities expected to be financed from governmental funds.

City of Grand Blanc, Michigan
Schedule of Debt Service Requirements
1993 Transportation Bonds
May 31, 2005

<u>Fiscal Year</u> <u>Ended</u> <u>May 31</u>	<u>Interest</u> <u>August 1</u>	<u>Interest</u> <u>February 1</u>	<u>Principal</u> <u>January 1</u>	<u>Total</u> <u>Requirements</u>
2006	\$ 4,628	\$ 3,897	\$ 30,000	\$ 38,525
2007	3,897	3,022	35,000	41,919
2008	3,022	2,125	35,000	40,147
2009	2,125	1,075	40,000	43,200
2010	1,075	-	40,000	41,075
	<u>\$ 14,747</u>	<u>\$ 10,119</u>	<u>\$180,000</u>	<u>\$204,866</u>

City of Grand Blanc, Michigan
Schedule of Debt Service Requirements
1995 Building Authority Bonds
May 31, 2005

Fiscal Year Ended <u>May 31</u>	<u>Interest</u> <u>October 1</u>	<u>Interest</u> <u>April 1</u>	<u>Principal</u> <u>October 1</u>	<u>Total</u> <u>Requirements</u>
2006	\$ 2,500	\$ -0-	\$100,000	\$102,500

City of Grand Blanc, Michigan
Schedule of Debt Service Requirements
1999 Building Authority Bonds
May 31, 2005

Fiscal Year Ended <u>May 31</u>	<u>Interest</u> <u>October 1</u>	<u>Interest</u> <u>April 1</u>	<u>Principal</u> <u>October 1</u>	<u>Total</u> <u>Requirements</u>
2006	\$ 675	\$ -0-	\$ 30,000	\$ 30,675

City of Grand Blanc, Michigan
Schedule of Debt Service Requirements
Installment Loan – 2001 Land Contract
May 31, 2005

<u>Fiscal Year</u> <u>Ended</u> <u>May 31</u>	<u>Interest</u> <u>October 1</u>	<u>Interest</u> <u>April 1</u>	<u>Principal</u> <u>April 1</u>	<u>Total</u> <u>Requirements</u>
2006	\$ 3,544	\$ 3,544	\$ 25,000	\$ 32,088
2007	2,887	2,887	25,000	30,774
2008	2,231	2,231	25,000	29,462
2009	1,575	1,575	30,000	33,150
2010	788	788	30,000	31,576
	<u>\$ 11,025</u>	<u>\$ 11,025</u>	<u>\$135,000</u>	<u>\$157,050</u>

City of Grand Blanc, Michigan
Schedule of Debt Service Requirements
2001 Michigan Transportation Fund Bonds
May 31, 2005

<u>Fiscal Year</u> <u>Ended</u> <u>May 31</u>	<u>Interest</u> <u>August 1</u>	<u>Interest</u> <u>February 1</u>	<u>Principal</u> <u>August 1</u>	<u>Total</u> <u>Requirements</u>
2006	\$ 27,563	\$ 26,686	\$ 50,000	\$ 104,249
2007	26,688	25,327	75,000	127,015
2008	25,328	23,921	75,000	124,249
2009	23,922	22,468	75,000	121,390
2010	22,469	20,468	100,000	142,937
2011	20,469	18,406	100,000	138,875
2012	18,406	15,828	125,000	159,234
2013	15,828	13,250	125,000	154,078
2014	13,250	10,625	125,000	148,875
2015	10,625	7,438	150,000	168,063
2016	7,437	3,719	175,000	186,156
2017	3,719	-	175,000	178,719
	<u>\$215,704</u>	<u>\$188,136</u>	<u>\$1,350,000</u>	<u>\$1,753,840</u>

City of Grand Blanc, Michigan
Schedule of Debt Service Requirements
2005 Note Payable - Properties
May 31, 2005

<u>Fiscal Year</u> <u>Ended</u> <u>May 31</u>	<u>Interest</u> <u>October 1</u>	<u>Interest</u> <u>April 1</u>	<u>Principal</u> <u>October 1</u>	<u>Total</u> <u>Requirements</u>
2006	\$ 6,211	\$ 5,152	\$ 30,000	\$ 41,363
2007	5,152	4,692	25,000	34,844
2008	4,692	4,232	25,000	33,924
2009	4,232	3,680	30,000	37,912
2010	3,680	3,128	30,000	36,808
2011	3,128	2,576	30,000	35,704
2012	2,576	1,932	35,000	39,508
2013	1,932	1,288	35,000	38,220
2014	1,288	644	35,000	36,932
2015	644	-	35,000	35,644
2016	-	-	-	-
2017	-	-	-	-
	<u>\$ 33,535</u>	<u>\$ 27,324</u>	<u>\$310,000</u>	<u>\$370,859</u>

Statistical Section

Table 1

City of Grand Blanc, Michigan
General Governmental Expenditures by Function (1) - Unaudited
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Service</u>	<u>Public Works</u>	<u>Highways and Streets</u>
1996	\$ 838,759	\$1,247,022	\$690,714	\$187,369	\$ 521,800
1997	677,391	1,300,588	727,082	208,465	452,637
1998	1,068,778	1,462,342	795,497	238,781	320,313
1999	995,748	1,498,343	659,895	221,143	506,263
2000	950,955	1,673,303	716,416	206,216	515,882
2001	1,501,415	1,755,397	736,055	226,281	731,521
2002	925,226	1,775,777	897,106	229,563	532,700
2003	1,234,598	1,994,499	813,996	204,146	1,996,110
2004	1,488,323 ⁽⁴⁾	1,998,328	818,905	222,474	1,142,591
2005	956,602	2,057,195	936,408	291,338	2,054,752 ⁽⁴⁾

NOTES:

- (1) Includes General, Special Revenue, Debt Service Funds, and Capital Project Funds.
- (2) The City purchased land using Special Revenue Funds.
- (3) The City made an early redemption of certain outstanding bonded debt.
- (4) The City incurred significant costs in purchasing properties, clean and fixing storms relating to flood problem. The City received grants from FEMA to supplement the cost.

<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
\$ - ⁽²⁾	\$ 587,316	\$4,072,980
185,000	466,404	4,017,567
57,189	526,167	4,469,067
- ⁽²⁾	384,378	4,265,770
124,400	399,379	4,586,551
-	396,310	5,346,979
-	1,134,277 ⁽³⁾	5,494,649
-	732,302 ⁽³⁾	6,975,651
-	338,888	6,009,509
-	284,004	6,580,299

Table 2

City of Grand Blanc, Michigan
General Governmental Revenues by Source (1) - Unaudited
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Intergovernmental</u>	<u>Charges for Services</u>
1996	\$2,080,587	\$100,260	\$1,097,753	\$327,939
1997	2,197,819	89,176	1,579,272	348,668
1998	2,379,090	128,075	1,261,723	354,956
1999	2,512,526	86,097	1,850,510	356,687
2000	2,595,123	92,120	1,617,122	369,341
2001	2,661,931	98,188	1,455,160	370,296
2002	2,788,548	124,124	1,414,225	395,588
2003	2,921,012	99,301	2,602,101 ⁽²⁾	419,007
2004	2,757,268	137,537	2,736,795 ⁽²⁾⁽³⁾	419,811
2005	3,113,741	128,667	2,355,519 ⁽²⁾⁽⁴⁾	441,518

NOTE:

- (1) Includes General, Special Revenue, Debt Service Funds, and Capital Project Funds.
- (2) Significant revenues from federal road projects were received during 2003, 2004, and 2005.
- (3) Significant revenues from federal funds in general fund were received during 2004.
- (4) Significant revenues from federal funds in local street special revenue fund were received during 2005.

Fines and <u>Forfeits</u>	<u>Interest</u>	<u>Miscellaneous</u>	<u>Total</u>
\$ 40,497	\$ 90,527	\$ 62,649	\$3,800,212
36,038	122,939	21,668	4,395,580
30,190	109,456	20,382	4,283,872
32,710	66,540	41,631	4,946,701
40,658	236,027	30,749	4,981,140
30,142	168,697	42,106	4,826,520
29,431	130,455	39,734	4,922,105
33,976	66,202	31,950	6,173,549
30,464	31,701	110,869	6,224,445
31,256	55,028	43,616	6,169,345

Table 3

**City of Grand Blanc, Michigan
Property Tax Levies and Collections - Unaudited
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>
1996	\$2,072,094	\$2,021,401	97.6%	\$ 50,693
1997	2,220,846	2,132,065	96.0	88,781
1998	2,361,595	2,303,890	97.6	57,705
1999	2,510,841	2,458,996	97.9	42,373
2000	2,643,386	2,587,875	97.9	51,754
2001	2,777,141	2,692,938	97.0	77,518
2002	2,906,846	2,799,275	96.3	81,113
2003	3,061,639	2,940,292	96.0	57,308
2004	3,145,269	3,007,880	98.0	69,573
2005	3,402,594	3,249,620	96.0	121,416

NOTE:

- (1) Real Property Taxes that become delinquent are paid in full by the Genesee County Delinquent Tax Revolving Fund. As a result, percent of collections for Real Property Taxes is 100 percent.

<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u> ⁽¹⁾	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
\$2,072,094	99.9%	\$ 1,827	0.1%
2,220,846	100.0	679	0.0
2,361,595	99.9	1,957	0.1
2,501,369	99.8	4,234	0.2
2,639,629	99.9	3,757	0.1
2,770,456	99.8	6,685	0.2
2,880,388	99.1	26,458	0.9
2,997,600	97.9	64,039	2.1
3,077,453	98.0	67,816	2.2
3,371,036	99.0	31,558	1.0

Table 4

City of Grand Blanc, Michigan
Assessed and State Equalized Value of Taxable Property - Unaudited
Last Ten Fiscal Years

Fiscal Year	<u>Real/Qualified Property</u> ⁽³⁾		Ratio of Total State Equalized Value to Assessed Value	<u>Personal Property</u>	
	<u>Assessed Value</u> ⁽¹⁾	<u>State Equalized/ Taxable Value</u> ⁽¹⁾		<u>Assessed Value</u>	<u>State Equalized/ Taxable Value</u>
1996	\$164,217,182	\$163,179,220 ⁽²⁾	0.99	\$ 7,383,030	\$ 7,446,380 ⁽²⁾
1997	177,892,489	173,996,762	0.98	8,787,700	8,788,800
1998	194,922,630	184,489,470	0.95	10,336,750	9,880,375
1999	208,815,920	195,707,822	0.94	10,598,020	10,598,020
2000	219,041,400	204,000,030	0.93	11,736,800	11,736,800
2001	226,603,320	210,641,840	0.93	10,414,607	10,414,607
2002	232,949,190	219,991,180	0.94	11,199,930	11,199,930
2003	258,012,690	230,276,954	0.89	11,300,940	11,300,940
2004	273,251,505	239,146,915	0.88	11,554,880	11,549,190
2005	280,225,095	247,472,235	0.88	11,571,650	11,571,650

NOTE:

- (1) Assessed values are established annually by the county and equalized by the state. Assessed values represent 50% of market value as determined by the Michigan State Tax Commission on the fourth Monday in May of each year.
- (2) Beginning with fiscal year ended May 31, 1996, taxable value replaced state equalized value.
- (3) Beginning with fiscal year ended May 31, 2004, the City levied qualified real property.

Ratio of Total State Equalized Value to Assessed <u>Value</u>	<u>Total</u>		Total State Equalized Value to Assessed <u>Value</u>
	<u>Assessed Value</u>	<u>State Equalized/ Taxable Value</u>	
1.01%	\$171,600,212	\$170,625,600 ⁽²⁾	0.99%
1.00	186,680,189	182,785,562	0.98
0.95	205,259,380	194,369,845	0.95
1.00	219,413,940	206,305,842	0.94
1.00	230,778,200	215,736,830	0.93
1.00	237,017,927	221,056,447	0.93
1.00	244,149,120	231,191,110	0.95
1.00	269,313,630	241,577,894	0.90
1.00	284,806,385	250,696,105	0.88
1.00	291,796,745	259,043,885	0.89

Table 5

City of Grand Blanc, Michigan
Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of State Equalized Valuation) - Unaudited
Last Ten Fiscal Years

<u>Municipality</u>	<u>Type of Levy</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>
City of Grand Blanc -	Operating	\$ 9.95	\$ 9.95	\$ 9.95
	Streets	1.00	1.00	1.00
	Water improvements	1.20	1.20	1.30
Grand Blanc Parks and Recreation		0.98520	0.98520	0.9936
State of Michigan	State education tax	6.00	5.00	6.00
Genesee County -	Operating	5.50950	5.5228	5.5512
	Parks	0.48490	0.48610	0.4886
	Library	0.75630	0.76030	0.7681
	Paramedic	0.48490	0.48610	0.4886
	Airport	0.48490	0.48610	0.4886
	MTA	0.79490	0.39590	0.3980
Grand Blanc School District - #25-030	Operating	17.63440	17.63440	17.7480
	Debt	4.5	1.80	1.80
	Building and site	0.97680	0.97790	0.9872
Genesee Intermediate School District -	Operating	3.5361	3.5469	3.5672
Community College -	Operating	1.99070	1.99660	2.0080
	Debt	0.69	0.75	0.82
Totals		<u>\$56.9786</u>	<u>\$52.9783</u>	<u>\$54.3571</u>

<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>
\$ 9.95	\$ 9.95	\$ 9.95	\$ 9.95	\$ 9.95	\$ 9.95	\$ 9.95
1.00	1.00	1.00	1.00	1.00	1.00	1.00
1.20	1.20	1.20	1.20	1.20	1.20	1.20
0.9936	0.9936	1.00	1.00	1.00	1.00	0.00
6.00	6.00	6.00	6.00	6.00	6.00	6.00
5.5735	5.5780	5.5948	5.5948	5.5948	5.5948	5.5948
0.4906	0.4910	0.4925	0.4925	0.4925	0.4925	0.4925
0.7738	0.7773	0.7895	0.7895	0.7895	0.6895	0.6895
0.4906	0.4910	0.4925	0.4925	0.4925	0.4925	0.4925
0.4906	0.4910	0.4925	0.4925	0.4925	0.4925	0.4925
0.3996	0.3988	0.4000	0.4000	0.4000	0.4000	0.0000
18.00	17.8311	18.00	18.00	18.00	18.00	18.00
1.80	1.80	0.00	0.00	0.00	0.25	0.25
0.9923	1.00	1.00	1.00	1.00	1.00	1.00
3.5835	3.5894	3.6032	3.6032	3.6032	3.6032	3.6032
2.0172	1.3694	1.3745	1.3745	1.3745	1.3745	1.3745
0.85	0.50	0.50	0.50	0.50	0.50	0.50
<u>\$54.6053</u>	<u>\$53.4606</u>	<u>\$51.8895</u>	<u>\$51.8895</u>	<u>\$51.8895</u>	<u>\$52.0395</u>	<u>\$50.6395</u>

Table 6

City of Grand Blanc, Michigan
Ratio of Net General Bonded Debt
To State Equalized Value and Net Bonded Debt Per Capita - Unaudited
Last Ten Fiscal Years

<u>Fiscal</u> <u>Year</u>	<u>Population</u>	<u>State</u> <u>Equalized</u> <u>Valuation</u> <u>(in</u> <u>Thousands)</u>	<u>Gross</u> <u>Bonded</u> <u>Debt⁽²⁾</u> <u>(in</u> <u>Thousands)</u>	<u>Debt</u> <u>Service</u> <u>Monies</u> <u>Available</u> <u>(in</u> <u>Thousands)</u>	<u>Debt</u> <u>Payable</u> <u>From</u> <u>Enterprise</u> <u>Revenue</u>	<u>Net</u> <u>Bonded</u> <u>Debt</u> <u>(in</u> <u>Thousands)</u>	<u>Ratio</u> <u>of Net</u> <u>Bonded</u> <u>Debt to</u> <u>State</u> <u>Equalized</u> <u>Value</u>	<u>Net</u> <u>Debt</u> <u>Per</u> <u>Capita</u>
1996	7,760 ⁽¹⁾	\$170,626	\$ 4,034	\$ 592	\$ 624	\$ 2,818	1.65%	\$ 363
1997	7,760 ⁽¹⁾	182,786	3,632	630	526	2,476	1.35	319
1998	7,760 ⁽¹⁾	194,370	3,177	674	429	2,074	1.07	267
1999	7,760 ⁽¹⁾	206,306	2,811	698	345	1,768	0.86	228
2000	7,760 ⁽¹⁾	230,778	2,589	776	257	1,556	0.67	201
2001	7,760 ⁽¹⁾	237,129	2,433	827	169	1,437	0.61	185
2002	8,242 ⁽³⁾	244,149	3,084	189	80	2,815	1.15	341
2003	8,242 ⁽³⁾	269,313	2,605	64	-	2,541	0.94	308
2004	8,242 ⁽³⁾	284,806	6,015	64	-	5,951	2.09	722
2005	8,242 ⁽³⁾	291,796	6,252	64	-	6,188	2.12	751

Source:

- (1) 1990 U.S. Census.
- (2) Includes all general obligation notes and bonds.
- (3) 2000 U.S. Census.

Table 7

City of Grand Blanc, Michigan
Computation of Legal Debt Margin - Unaudited
May 31, 2005

Total assessed value	<u><u>\$291,796,745</u></u>
Debt limit - 10 percent of total assessed value	\$ 29,179,675
Amount of debt applicable to debt limit	<u>4,227,931</u>
Legal debt margin	<u><u>\$ 24,951,744</u></u>

Table 8

City of Grand Blanc, Michigan
Computation of Direct and Overlapping Debt - Unaudited
May 31, 2005

<u>Date of Financial Information</u>	<u>Jurisdiction</u>	<u>Amount Applicable to Net Debt Outstanding</u>	<u>Percentage Applicable to City of Grand Blanc</u>	<u>Total Overlapping Debt Applicable to City of Grand Blanc</u>
Direct:				
5-31-05	City of Grand Blanc	<u>\$ 6,252,295</u>	100.00%	<u>\$ 6,252,295</u>
Overlapping:				
6-30-04	Mott Community College	69,250,000	2.80	1,939,000
9-30-04	Genesee County	124,870,930	2.61	3,259,131
6-30-04	Grand Blanc School District	<u>105,442,566</u>	23.81	<u>25,105,875</u>
	Total overlapping	<u>299,563,496</u>		<u>30,304,006</u>
	Totals	<u><u>\$305,815,791</u></u>		<u><u>\$36,556,301</u></u>

Table 9

City of Grand Blanc, Michigan
Ratio of Annual Debt Service Expenditures For
General Bonded Debt to Total General Expenditures - Unaudited
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u> ⁽¹⁾	<u>Total General Expenditures</u> ⁽²⁾	<u>Ratio of Debt Service to Total General Expenditures</u>
1996	\$ 402,029	\$185,287	\$ 587,316	\$4,072,980	14.4%
1997	283,228	183,176	466,404	4,017,567	11.6
1998	364,095	162,072	526,167	4,469,067	11.8
1999	245,044	139,334	384,378	4,265,770	9.0
2000	275,000	124,379	399,379	4,586,551	9.0
2001	285,000	111,310	396,310	5,346,979	7.4
2002	1,005,000	129,277	1,134,277	5,494,649	20.6
2003	608,333	123,968	732,301	6,975,650	10.5
2004	244,243	94,645	338,888	6,009,509	5.6
2005	200,000	84,004	284,004	6,594,887	4.3

NOTES:

- (1) Does not include general bonded debt issued for water and sewer utility purposes, which is paid from Water and Sewer Fund revenues.
- (2) Includes General, Special Revenue, Debt Service Funds, and Capital Project Funds.

Table 10

**City of Grand Blanc, Michigan
Demographic Statistics - Unaudited
Last Ten Fiscal Years**

<u>Year</u>	<u>Population</u>	<u>Per Capita Income</u> ⁽²⁾	<u>Median Age</u>	<u>Education Level in Years of Formal Schooling</u>	<u>Enrollment</u> ⁽³⁾	<u>Unemployment Rate</u> ⁽⁴⁾
1996	7,760 ⁽¹⁾	\$ 19,963	32.7 ⁽¹⁾	12.2 ⁽¹⁾	5,898	6.0%
1997	7,760 ⁽¹⁾	20,402	32.7 ⁽¹⁾	12.2 ⁽¹⁾	5,891	5.9
1998	7,760 ⁽¹⁾	20,749	32.7 ⁽¹⁾	12.2 ⁽¹⁾	N/A	5.4
1999	7,760 ⁽¹⁾	21,371	32.7 ⁽¹⁾	12.2 ⁽¹⁾	5,921	5.4
2000	7,760 ⁽¹⁾	22,012	32.7 ⁽¹⁾	12.2 ⁽¹⁾	5,989	5.2
2001	7,760 ⁽¹⁾	22,672	32.7 ⁽¹⁾	12.2 ⁽¹⁾	6,382	7.1
2002	8,242 ⁽⁶⁾	23,352	32.7 ⁽¹⁾	12.2 ⁽¹⁾	6,431	8.7
2003	8,242 ⁽⁶⁾	22,168 ⁽⁵⁾	32.7 ⁽¹⁾	12.2 ⁽¹⁾	7,643	6.7
2004	8,242 ⁽⁶⁾	22,168 ⁽⁵⁾	32.7 ⁽¹⁾	12.2 ⁽¹⁾	7,313	8.9
2005	8,248 ⁽⁶⁾	N/A	N/A	N/A	N/A	N/A

Sources:

- (1) 1990 U.S. Census
- (2) Federal Revenue Sharing Entitlement figures and estimates based on a 2.8% growth for 1995; 3.0% growth for 1996; 2.2% growth for 1997; 1.7% growth for 1998; 3.0% growth for 1999; 3.0% growth for 2000 and 2003
- (3) Superintendent of Schools enrollment count
- (4) Michigan Employment Security Commission, Genesee County
- (5) 2000 U.S. Census
- N/A Not Available

Table 11

City of Grand Blanc, Michigan
Property Value, Construction, and Bank Deposits - Unaudited
Last Ten Fiscal Years

Assessment Date <u>December 31</u>	<u>Commercial/Industrial Construction</u>		<u>Residential Construction</u>		Bank Deposits ⁽¹⁾ (in Thousands)
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	
1996	1	\$ 161,708	55	\$6,380,247	\$3,229,104
1997	18	3,237,063	161	3,938,843	3,352,526
1998	33	2,440,259	143	3,104,461	3,365,584
1999	23	2,166,649	184	2,855,938	3,402,491
2000	32	2,524,270	150	3,262,688	3,643,612
2001	16	1,495,313	89	2,369,055	3,634,128
2002	16	1,787,390	49	2,210,528	3,522,542
2003	49	5,378,441 ⁽⁵⁾	43	2,121,232	3,710,109
2004	48	389,445	60	1,109,415	3,782,297
2005	(2)	(2)	(2)	(2)	(2)

NOTES:

- (1) Amounts reported are for Genesee County, as provided by the Federal Deposit Insurance Corporation
- (2) This information will not be available until December 31, 2005
- (3) Estimated actual or market value which is approximately two times the assessed value
- (4) Significant reductions occurred as a result of adjustments to the values of property for General Motors, Consumers Energy, and the Grand Blanc Golf and Country Club
- (5) Amount includes two permits totaling \$3,648,000 for water softening project

Property Value ⁽³⁾		
<u>Commercial</u>	<u>Residential</u>	<u>Industrial and Utility</u>
\$ 70,500,404	\$245,231,640	\$12,705,520
75,336,680	266,159,960	11,549,860
79,038,540	330,525,446	8,080,920 ⁽⁴⁾
86,001,660	344,114,560	7,966,580
86,001,660	344,114,560	7,966,580
108,302,980	364,627,060	15,368,200
119,153,520	409,867,060	9,606,680
106,598,880	430,117,900	9,739,300
114,991,310	435,357,980	10,100,900
(2)	(2)	(2)

Table 12

**City of Grand Blanc, Michigan
Principal Taxpayers - Unaudited
May 31, 2005**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Value</u>	<u>Percentage of Total Taxable Value</u>
Perry Place Apartments, LLC	Apartment Complex	\$ 4,794,670	1.85%
Bridgewood Common Shopping Center	Retail Office Complex	4,394,670	1.70
CMS Country House Investors	Apartment Complex	3,776,840	1.46
General Motors Corporation	Auto Industry	3,026,300	1.17
ABE Briarwood	Nursing Home	2,597,040	1.00
American House-Grand Blanc LLC	Apartment Complex	2,177,370	0.84
Grand Blanc Center LLC	Retail Complex	2,036,270	0.79
Consumers Energy	Utility Supplier	1,876,530	0.72
Grand Blanc Golf & Country Club	Golf Course	1,848,170	0.71
York Properties	Apartment Complex	1,767,810	0.68
		<u>\$28,295,670</u>	<u>10.92%</u>

Table 13

City of Grand Blanc, Michigan
Miscellaneous Statistics - Unaudited
May 31, 2005

FORM OF GOVERNMENT	Strong Mayor - Council
FIRE PROTECTION:	
Number of stations	3
Number of firemen and officers	60
POLICE PROTECTION:	
Number of stations	1
Number of policemen and officers	15
EDUCATION (SOURCE - SUPERINTENDENT OF SCHOOLS - PUBLIC SCHOOLS ONLY):	
Attendance centers	10
Number of classrooms	307
Number of teachers	396
Number of students	7,313
RECREATION AND CULTURE:	
Number of parks	4
Number of libraries	1
Number of volumes	83,000
EMPLOYEES (FULL-TIME):	
Classified service	34
MUNICIPAL WATER DEPARTMENT:	
Number of consumers	2,506
Average daily consumption	1,654,000
Miles of water mains	48
SEWERS:	
Sanitary sewers miles	48
Storm sewers miles (maintained by City)	48
AREA:	
Miles of Streets:	
City major streets	7.21
City local streets	23.29
Number of street lights	216

City of Grand Blanc, Michigan

**Federal Awards
Supplemental Information**

May 31, 2005

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Independent Auditor's Report

Honorable Mayor and Members of
the City Council
City of Grand Blanc
Grand Blanc, Michigan

We have audited the basic financial statements of the City of Grand Blanc, Michigan for the year then ended May 31, 2005 and have issued our report thereon dated July 22, 2005. Those basic financial statements are the responsibility of the management of the City of Grand Blanc, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Grand Blanc, Michigan taken as a whole. The accompanying schedule of expenditures of the federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

July 22, 2005

Report Letter on Compliance with Laws and Regulations and Internal
Control - Basic Financial Statements

Honorable Mayor and Members of
the City Council
City of Grand Blanc
Grand Blanc, Michigan

We have audited the financial statements of the City of Grand Blanc, Michigan as of and for the year ended May 31, 2005, and have issued our report thereon dated July 22, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Grand Blanc, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Grand Blanc, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City of Grand Blanc and federal awarding agencies, and pass-through entities, and is not intended for and should not be used by anyone other than those specified parties.

Plante & Moran, PLLC

July 22, 2005

Report on Compliance with Requirements Applicable to Each Major
Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

Honorable Mayor and Members of
the City Council
City of Grand Blanc
Grand Blanc, Michigan

Compliance

We have audited the compliance of the City of Grand Blanc, Michigan with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended May 31, 2005. The City of Grand Blanc, Michigan's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Grand Blanc, Michigan's management. Our responsibility is to express an opinion on the City of Grand Blanc, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Grand Blanc, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Grand Blanc, Michigan's compliance with those requirements.

In our opinion, the City of Grand Blanc, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended May 31, 2005.

Internal Control over Compliance

The management of the City of Grand Blanc, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Grand Blanc, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City of Grand Blanc, federal awarding agencies and pass-through entities, and is not intended for and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

July 22, 2005

City of Grand Blanc, Michigan
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2005

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance I.D. Number	Federal CFDA Number	Current Year Federal Expenditures (1)
Department of Housing and Urban Development -			
Pass through Genesee County			
Community Development Block Grant - 2004	N/A	14.218	\$ 23,019
Department of Justice -			
Direct Programs:			
COPS in School	2001SWX0594	16.710	28,835
Indirect Programs:			
Passed through State of Michigan			
Department of Community Health			
Byrne Memorial Formula Grant	N/A	16.579	20,254
Byrne Memorial Formula Grant	N/A	16.579	-
Total Department of Justice			20,254
Total Department of Justice			49,089
Environmental Protection Agency -			
Pass through State of Michigan			
Drinking Water Revolving Fund	N/A	66.468	160,281
Department of Homeland Security -			
Pass through State of Michigan Department of State Police			
Hazard Mitigation Grant Program * (2)(3)	N/A	97.039	302,489
Hazard Mitigation Grant Program * (2)(3)	N/A	97.039	7,576
Hazard Mitigation Grant Program * (2)(3)	N/A	97.039	52,857
Total pass through State of Michigan Department of State Police			362,922
Pass through Genesee County	N/A	97.067	29,700
State Homeland Security Grant Program			
Total Federal Emergency Management Agency			392,622
Department of Transportation -			
Indirect Programs:			
Passed through State of Michigan:			
Highway Planning and Construction *		20.205	32,395
Highway Planning and Construction *		20.205	55,091
Highway Planning and Construction *		20.205	563,953
Highway Planning and Construction *		20.205	12,904
Total Highway Planning and Construction			664,343
Total Federal Financial Assistance			\$ 1,289,354

* denotes major program.

City of Grand Blanc, Michigan
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2005

- (1) Expenditures reported on the modified accrual basis of accounting.
- (2) Local Match for the grant is \$296,375.
- (3) Local Match for the grant is 25%.
- (4) Reconciliation of federal revenues per Comprehensive Annual Financial Report compared to federal expenditures per the Schedule of Expenditures of Federal Awards:

Federal expenditures per SEFA page		<u><u>\$1,289,354</u></u>
Federal revenues - CAFR statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Funds Page		\$1,129,073
Additions to fixed assets in Water Fund	232,461	
Federal percentage of additions	68.95%	<u><u>160,281</u></u>
		<u><u>\$1,289,354</u></u>

City of Grand Blanc, Michigan
Note to Schedule of Expenditures of Federal Awards
Year Ended May 31, 2005

Note - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Grand Blanc, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**City of Grand Blanc
Schedule of Findings and Questioned Costs
Year Ended May 31, 2005**

Part I – Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Reportable condition(s) identified that are
not considered to be material weaknesses?

_____ Yes X None reported

Noncompliance material to financial statements
noted?

_____ Yes X No

Federal Programs

Type of auditor's report issued on compliance
for major programs:

Unqualified

Dollar threshold used to distinguish
between Type A and Type B programs

\$300,000

Auditee qualified as low-risk auditee

X Yes _____ No

Internal control over major program(s):

• Material weakness(es) identified?

_____ Yes X No

• Reportable condition(s) identified that are not
Considered to be material weakness?

_____ Yes X None reported

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

20.205

Highway Planning and Construction

97.039

Hazard Mitigation Grant Program

Part II Financial Statement Audit Findings

None

Part III Federal Program Audit Findings

None

July 22, 2005

Honorable Mayor and Members
of the City Council
City of Grand Blanc
203 E Grand Blanc Road
Grand Blanc, Michigan 48439

Dear Mayor and Members of the City Council:

We recently completed our audit of the basic financial statements of City of Grand Blanc for the year ended May 31, 2005. As a result of our audit, we have the following comments and recommendations for your review and consideration.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated June 30, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Mayor and Members
of the City Council
City of Grand Blanc
July 22, 2005
Page 2

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies used by the City as described in Note 1 to the general purpose financial statements. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. We recorded several audit adjustments to correct and adjust the accounting records of the City. The general purpose financial statements reflect these adjustments. We proposed no other audit adjustments that were not posted to the accounting records that could, in our judgment, either individually or in the aggregate, have a significant effect on the City's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situation. If a consultation involves application of an accounting principal to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the course of performing our audit.

Honorable Mayor and Members
of the City Council
City of Grand Blanc
July 22, 2005
Page 3

Comments and Recommendations

Retiree Health Care Benefits

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Post employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the *government wide financial statements*, rather than the individual fund level. Therefore, the manner in which retiree health care benefits are budgeted will not change, unless you begin funding the benefits (however, as discussed below, there are incentives to do so).

The new pronouncement will require a valuation of the obligation to provide retiree health care benefits, including an amortization of the past service cost over a period of up to 30 years. The valuation must include an annual recommended contribution (ARC). While the ARC does not need to be funded each year, any under funding must be reported as a liability on the government wide statement of net assets.

This valuation will need to be performed by an actuary if the total participants exceed 100. Participants are defined as employees in active service, terminated employees not yet receiving benefits, plus retirees and beneficiaries currently receiving benefits. For plans with 100 to 200 participants, the actuarial valuation must be at least every three years; for those over 200 participants, at least every other year.

This statement is being phased in over a three year period, similar to GASB 34. It is effective for fiscal years beginning after December 15, 2006, 2007 or 2008 depending on whether your revenues are over \$100 million, between \$10 million and \$100 million, or under \$10 million. Remember that planning to make the annual recommended contribution generally requires up to three to six months for an actuarial valuation plus six months lead time to work the numbers into the budget. Therefore, we recommend that you begin the actuarial valuation at least one year prior to the above dates.

The GASB statement has provided substantial incentive to fund the obligation in accordance with the annual recommended contribution. In addition to the normal fairness issue of paying for a service as you use it, the GASB has directed that lower rates of return be used for evaluating the annual recommended contribution in situations where the recommended contribution is not being funded. This will significantly increase the calculation of the following year's contribution. So – funding the contribution will actually reduce your long run cost.

Cash Accounts

Cash accounts should be reviewed and any accounts no longer being used or have small balances should be considered being closed.

Honorable Mayor and Members
of the City Council
City of Grand Blanc
July 22, 2005
Page 4

Interfund Balances

Interfund balances should be reviewed at least quarterly and the balances be cleared if possible. The balances have increased from the prior year.

Force Account Federal Revenue

We suggest that the construction engineering invoices for the Holly Road Project be reviewed and the amount compared to amount already requested and investigate if more can be requested. The amount requested is \$32, \$395.85, the amount that could have been requested, was 80% of costs incurred \$71,859.31. The state has authorized reimbursement of a portion of the construction engineering costs on the Holly Road project.

Bank Statements

To enhance the internal controls procedures already in place, we recommend that 1) the bank statements should be given unopened to the treasurer for her to review cancelled checks and 2) she review bank reconciliations prepared by the clerk.

Parks and Recreation Commission Tax Levy

There has been clarification as to which entity should be reporting the Parks tax levy in its operating budget. The amount of the levy should be should shown as tax revenue on the City of Grand Blanc's records and as a contribution to the parks and recreation commission. The reason is the tax has been levied by the city rather than the commission as the commission can not levy taxes. The levy is shown on the City's L-4029. As a result, the levy has been included as tax revenue in the City's financial statements for the year ended May 31, 2005. Also as a reminder, the parks and recreation levy will expire December 2005.

We would like to thank Richard Saathoff, City Clerk and Bethany Smith, City Treasurer, as well as all of the City's personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Sincerely,

PLANTE & MORAN, PLLC



Tadd Harburn, CPA